UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

☐ **Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934**

or

☒ **Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2017

Commission file number: 001-14534

PRECISION DRILLING CORPORATION

(Exact name of Registrant as specified in its charter)

Alberta, Canada (Province or other jurisdiction of incorporation or organization)	1381 (Primary Standard Industrial Classification Code Number)	Not Applicable (I.R.S. Employer Identification)

800, 525 - 8 Avenue, S.W., Calgary, Alberta, Canada T2P 1G1
(403) 716-4500
(Address and telephone number of Registrant's principal executive offices)

Precision Drilling (US) Corporation, 10350 Richmond Avenue, Suite 700, Houston, Texas 77042
(713) 435-6100
(Name, address, (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Information filed with this Form:

☒ **Annual Information Form** ☒ **Audited annual financial statements**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 293,238,858 Common Shares outstanding as at December 31, 2017.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

The documents (or portions thereof) forming part of this Form 40-F are incorporated by reference into the following registration statements under the Securities Act of 1933, as amended:

Form	Registration No.
F-10	333-212736
S-8	333-194966
S-8	333-189046
S-8	333-189045
S-8	333-221226

DISCLOSURE CONTROLS AND PROCEDURES

For information on disclosure controls and procedures, see “Evaluation of Disclosure Controls and Procedures” in the Annual Information Form for the fiscal year ended December 31, 2017, filed as Exhibit 99.1 (the “Annual Information Form”) and “Disclosure Controls and Procedures” in Management’s Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2017, filed as Exhibit 99.2 (“Management’s Discussion and Analysis”).

NOTICES PURSUANT TO REGULATION BTR

None.

INTERNAL CONTROL OVER FINANCIAL REPORTING

For information on internal control over financial reporting, see “Management’s Report to the Shareholders” in the Consolidated Financial Statements for the fiscal year ended December 31, 2017, filed as Exhibit 99.3. See also “Internal Control Over Financial Reporting” in the Annual Information Form.

ATTESTATION REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

KPMG LLP, the independent registered public accounting firm that audited the Registrant’s Consolidated Financial Statements for the fiscal year ended December 31, 2017, has issued an attestation report on management’s assessment of the Registrant’s internal control over financial reporting. See “Report of Independent Registered Public Accounting Firm” in the Consolidated Financial Statements for the fiscal year ended December 31, 2017, filed as Exhibit 99.3.

AUDIT COMMITTEE FINANCIAL EXPERT

The board of directors of the Registrant has determined that it has at least one audit committee financial expert serving on its audit committee. Each of Michael R. Culbert, William T. Donovan, Brian J. Gibson, Allen R. Hagerman and Steven W. Krablin has been designated an audit committee financial expert and is independent, as that term is defined by the New York Stock Exchange’s listing standards applicable to the Registrant. See “Audit Committee” and “Audit Committee – Relevant Education and Experience” in the Annual Information Form. The Commission has indicated that the designation of a person as an audit committee financial expert does not make them an “expert” for any purpose, impose any duties, obligations or liability on them that is greater than that imposed on members of the audit committee and board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee or the board of directors.

CODE OF ETHICS

The Registrant has adopted the Code of Business Conduct (the “Code”) which applies to every director, officer and employee of the Registrant, including the principal executive officer, principal financial officer, principal accounting officer or controller and any person performing similar functions. The Code is available on the Registrant’s website at www.precisiondrilling.com. No waivers have been granted from, and there have been no material amendments to, any provision of the Code during the 2017 fiscal year. During 2016 the Code was amended to require all individuals covered by the Code to submit a statement of compliance on an annual basis.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

For information on principal accountant fees and services, see “Audit Committee – Pre-approval Policies and Procedures” and “Audit Committee – Audit Fees” in the Annual Information Form.

OFF-BALANCE SHEET ARRANGEMENTS

The Registrant has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

For information on contractual obligations, see “Financial Condition – Contractual Obligations” in Management’s Discussion and Analysis.

IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant has a separately-designated standing Audit Committee. The members of the Audit Committee are:

Chairman: Allen R. Hagerman

Members: Michael R. Culbert
William T. Donovan
Brian J. Gibson
Catherine J. Hughes
Steven W. Krablin

MINE SAFETY DISCLOSURE

Not applicable.

NYSE CORPORATE GOVERNANCE

The Registrant's common shares are listed on the NYSE. A description of the significant ways in which the Registrant's corporate governance practices differ from those required of domestic companies under NYSE listing standards is provided on the Registrant's website at www.precisiondrilling.com.

UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the staff of the Commission, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an Annual Report on Form 40-F arises; or transactions in said securities.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized, in the City of Calgary, Province of Alberta, Canada.

Precision Drilling Corporation

By: /s/ Kevin A. Neveu
Name: Kevin A. Neveu
Title: President and Chief Executive Officer

Date: March 13, 2018

EXHIBITS

Exhibit Number	Description
23.1	Consent of KPMG LLP, Chartered Accountants.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Annual Information Form for the fiscal year ended December 31, 2017.
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2017.
99.3	Consolidated Financial Statements for the fiscal year ended December 31, 2017.
101	Interactive data files with respect to the Annual Consolidated Financial Statements of Precision Drilling Corporation for the fiscal year ended December 31, 2017.

Exhibit 23.1



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

Consent of Independent Registered Public Accounting Firm

The Board of Directors of Precision Drilling Corporation

We consent to the use of our reports, each dated March 9, 2018, with respect to the consolidated statements of financial position of Precision Drilling Corporation as at December 31, 2017 and December 31, 2016, the consolidated statements of loss, comprehensive loss, changes in equity, and cash flow for the years then ended, and the effectiveness of internal control over financial reporting as of December 31, 2017 included in this annual report on Form 40-F.

We also consent to the incorporation by reference of such reports in the Registration Statements (Nos. 333-194966, 333-189046, 333-189045, 333-221226) on Form S-8 and the Registration Statements (No. 333-212736 and 333-202166) on Form-10.

KPMG LLP

Chartered Professional Accountants

March 9, 2018
Calgary, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin A. Neveu, certify that:

1. I have reviewed this annual report on Form 40-F of Precision Drilling Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Precision Drilling Corporation as of, and for, the periods presented in this report;
4. Precision Drilling Corporation's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Precision Drilling Corporation and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Precision Drilling Corporation, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of Precision Drilling Corporation's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the Precision Drilling Corporation's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Precision Drilling Corporation's internal control over financial reporting; and
5. Precision Drilling Corporation's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Precision Drilling Corporation's auditors and the audit committee of Precision Drilling Corporation's board of directors (or persons performing the equivalent function):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Precision Drilling Corporation's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Precision Drilling Corporation's internal control over financial reporting.

Dated: March 13, 2018

By: /s/ Kevin A. Neveu
Kevin A. Neveu, President & Chief Executive Officer
Precision Drilling Corporation

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Carey T. Ford, certify that:

1. I have reviewed this annual report on Form 40-F of Precision Drilling Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Precision Drilling Corporation as of, and for, the periods presented in this report;
4. Precision Drilling Corporation's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Precision Drilling Corporation and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Precision Drilling Corporation, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of Precision Drilling Corporation's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the Precision Drilling Corporation's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Precision Drilling Corporation's internal control over financial reporting; and
5. Precision Drilling Corporation's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Precision Drilling Corporation's auditors and the audit committee of Precision Drilling Corporation's board of directors (or persons performing the equivalent function):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Precision Drilling Corporation's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Precision Drilling Corporation's internal control over financial reporting.

Dated: March 13, 2018

By: /s/ Carey T. Ford
Carey T. Ford, Senior Vice President
and Chief Financial Officer of Precision Drilling Corporation

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Annual Report of Precision Drilling Corporation on Form 40-F for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "**Report** "), the undersigned President and Chief Executive Officer of Precision Drilling Corporation, hereby certifies, to such officer's knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Precision Drilling Corporation.

Dated: March 13, 2018

By: /s/ Kevin A. Neveu
Kevin A. Neveu, President & Chief Executive Officer of Precision Drilling Corporation

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Annual Report of Precision Drilling Corporation on Form 40-F for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "**Report**"), the undersigned Chief Financial Officer of Precision Drilling Corporation, hereby certifies, to such officer's knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Precision Drilling Corporation.

Dated: March 13, 2018

By: /s/ Carey T. Ford
Carey T. Ford, Senior Vice President and Chief Financial Officer Precision Drilling Corporation

Exhibit 99.1

Precision Drilling Corporation

For the fiscal year ended December 31, 2017

2017 Annual Information Form

March 13, 2018

Precision DRILLING

Precision

Annual Information Form

Precision Drilling Corporation 2017

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IMPORTANT INFORMATION ABOUT THIS DOCUMENT

Throughout this annual information form (**AIF**), the terms, *we*, *us*, *our, Precision* and *Precision Drilling* mean Precision Drilling Corporation and, where indicated, all our consolidated subsidiaries and any partnerships that we and/or our subsidiaries are part of.

Information in this AIF is as of December 31, 2017 unless specified otherwise. All amounts are in Canadian dollars unless specified otherwise.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS

We disclose forward-looking information to help current and prospective investors understand our future prospects.

Certain statements contained in this AIF, including statements that contain words such as could, should, can, anticipate, estimate, intend, plan, expect, believe, will, may, continue, project, potential and similar expressions and statements relating to matters that are not historical facts constitute forward-looking information within the meaning of applicable Canadian securities legislation and forward-looking statements within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995 (collectively, **forward-looking information and statements**).

Our forward-looking information and statements in this AIF include, but are not limited to, the following:

- our outlook on oil and natural gas prices
- our expectations about drilling activity in North America and the demand for Tier 1 rigs
- our capital expenditure plans for 2018, and
- our ability to remain compliant with our senior secured credit facility financial debt covenants.

The forward-looking information and statements are based on certain assumptions and analysis made by Precision in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances. These include, among other things:

- our ability to react to customer spending plans as a result of changes in oil and natural gas prices
- the status of current negotiations with our customers and vendors
- customer focus on safety performance
- existing term contracts are neither renewed or terminated prematurely
- continued market demand for Tier 1 rigs
- our ability to deliver rigs to customers on a timely basis
- the general stability of the economic and political environment in the jurisdictions we operate in, and
- the impact of an increase/decrease in capital spending.

Undue reliance should not be placed on forward-looking information and statements. Whether actual results, performance or achievements will conform to our expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from our expectations. Such risks and uncertainties include, but are not limited to:

- volatility in the price and demand for oil and natural gas
- fluctuations in the level of oil and natural gas exploration and development activities
- fluctuations in the demand for contract drilling, directional drilling, well servicing and ancillary oilfield services
- our customers' inability to obtain adequate credit or financing to support their drilling and production activity
- changes in drilling and well servicing technology, which could reduce demand for certain rigs or put us at a competitive advantage
- shortages, delays and interruptions in the delivery of equipment supplies and other key inputs
- liquidity of the capital markets to fund customer drilling programs
- availability of cash flow, debt and equity sources to fund our capital and operating requirements, as needed
- the impact of weather and seasonal conditions on operations and facilities
- competitive operating risks inherent in contract drilling, directional drilling, well servicing and ancillary oilfield services
- ability to improve our rig technology to improve drilling efficiency
- general economic, market or business conditions
- the availability of qualified personnel and management
- a decline in our safety performance which could result in lower demand for our services
- changes in laws or regulations, including changes in environmental laws and regulations such as increased regulation of hydraulic fracturing or restrictions on the burning of fossil fuels and greenhouse gas emissions, which could have an adverse impact on the demand for oil and gas
- terrorism, social, civil and political unrest in the foreign jurisdictions where we operate
- fluctuations in foreign exchange, interest rates and tax rates, and
- other unforeseen conditions which could impact the use of services supplied by Precision and Precision's ability to respond to such conditions.

Readers are cautioned that the foregoing list of risk factors is not exhaustive. You can find more information about these and other factors that could affect our business, operations or financial results in this AIF under *Risks in Our Business*, starting on page 25 and in other reports on file with securities regulatory authorities from time to time which you can find in our profile on SEDAR (www.sedar.com) or in our profile on EDGAR (www.sec.gov).

All of the forward-looking information and statements made in this AIF are expressly qualified by these cautionary statements. There can be no assurance that actual results or developments that we anticipate will be realized. We caution you not to place undue reliance on forward-looking information and statements. The forward-looking information and statements made in this AIF are made as of the date hereof. We will not necessarily update or revise this forward-looking information as a result of new information, future events or otherwise, unless we are required to by securities law.

About Registered Trademarks

We own registered trademarks, service marks and trade names that we use in our business including, but not limited to *Precision Drilling Corporation*, *Precision Drilling,* PD logo and design, *Grey Wolf*, *Super Series*, Precision *Super Single* and *Super Triple*.

Although the trademarks, service marks and trade names referred to in this AIF or the documents incorporated by reference may be listed without the ®, SM and TM symbols for convenience, we will assert our rights to them to the fullest extent under the law.

ABOUT PRECISION

Precision Drilling Corporation provides onshore drilling and completion and production services to exploration and production companies in the oil and natural gas industry.

Headquartered in Calgary, Alberta, Canada, we are a large services company with broad geographic scope in North America. We also have operations in the Middle East.

From our founding as a private drilling contractor in the 1950s, Precision has grown to become one of the most active drillers in North America. Our competitive advantage is underpinned by five distinguishing features:

- a competitive operating model that drives efficiency, quality and cost control
- a culture focused on safety and field performance
- size and scale of operations that provide higher margins and better service capabilities
- a drilling rig platform that allows us to deploy efficiency driven technologies to the field, and
- a capital structure that provides long-term stability, flexibility and liquidity that allows us to take advantage of business cycle opportunities.

Corporate Governance

At Precision, we believe that a transparent culture of corporate governance and ethical behaviour in decision-making is fundamental to the way we do business.

We have a diverse and experienced Board of Directors (**Board**). Our directors have a history of achievement and an effective mix of skills, knowledge and business experience. The directors oversee the conduct of our business, provide oversight in support of future operations and monitor regulatory developments and governance best practices in Canada and the U.S. Our Board also reviews our governance charters, guidelines, policies and procedures to make sure they are appropriate and that we maintain high governance standards.

Our Board has established three standing committees, comprised of independent directors, to help it carry out its responsibilities effectively:

- Audit Committee
- Corporate Governance, Nominating and Risk Committee, and
- Human Resources and Compensation Committee.

The Board may also create special *ad hoc* committees from time to time to deal with important matters that arise.

Our Corporate Structure

Precision was formed by amalgamation under the *Business Corporations Act* (Alberta). We previously operated as an income trust, known as **Precision Drilling Trust**, and converted to a corporate entity on June 1, 2010, under a statutory plan of arrangement.

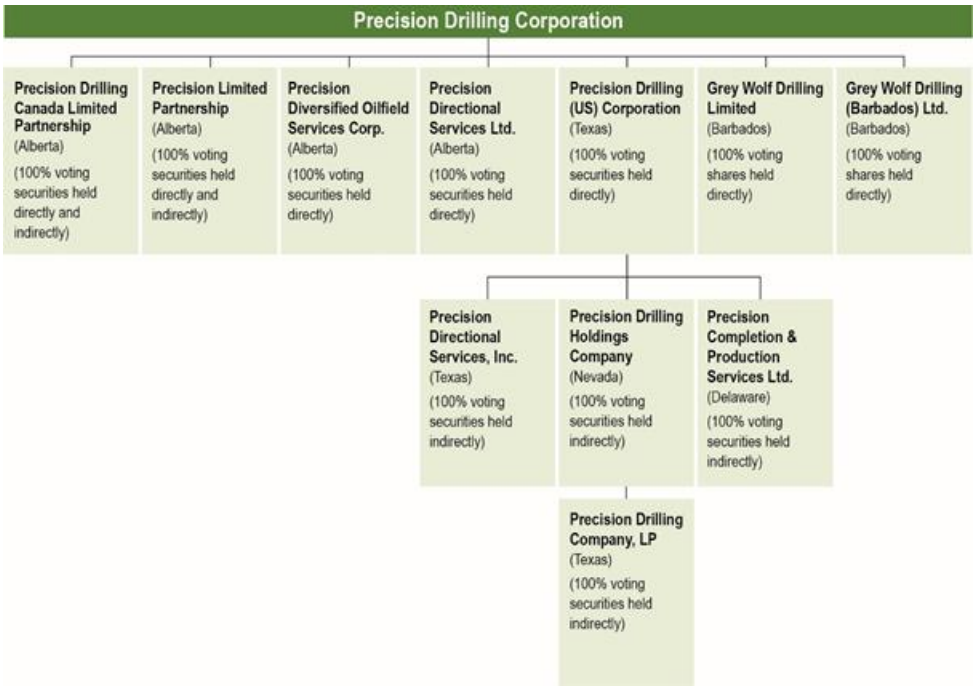
On March 8, 2013, we repealed our old by-laws and adopted new by-laws to provide for, among other things, a new advance notice requirement for Precision shareholders nominating directors for election to the Board and an increase in the quorum requirement for our shareholder meetings to 25% from 5%. The amendments were confirmed by our shareholders on May 8, 2013.

You can find more information about our approach to governance in our management information circular, available on our website (www.precisiondrilling.com).

Our common shares trade on the Toronto Stock Exchange (**TSX**), under the symbol *PD*, and on the New York Stock Exchange (**NYSE**), under the symbol *PDS*.

Our principal corporate and registered office is at:
Suite 800, 525 – 8th Avenue SW
Calgary, Alberta
Canada T2P 1G1
Phone: 403.716.4500
Fax: 403.264.0251
Email: info@precisiondrilling.com
Website: www.precisiondrilling.com

The chart below shows our organizational structure and material subsidiaries or partnerships, including the jurisdiction where each was incorporated, formed or continued and whether we hold the voting securities directly or indirectly. For simplification, non-material subsidiaries are excluded.



Recent Developments and Three-Year History

Industry Conditions

If current commodity prices hold, we expect our customers to increase their 2018 capital spending in the United States (**U.S.**), relative to 2017, resulting in an increase in drilling activity. In the Canadian market, takeaway capacity issues are causing discounts in both Canadian natural gas prices (driven by the Alberta Energy Company (**AECO**) quote), and certain grades of Canadian crude oil. Activity levels in 2018 are expected to remain relatively flat compared to 2017 if current commodity prices hold and takeaway capacity issues persist. We expect development drilling demands from North American oil and gas customers to continue to evolve, requiring maximum efficiency, reliability and repeatability from service contractors. We also expect Tier 1 rigs to remain the preferred rigs of customers globally and for us to benefit from our completed fleet enhancements.

2017

Industry Conditions

Crude oil markets rebounded off the recent lows experienced in 2016 and our customers responded with increased capital spending in 2017 in both Canada and the U.S. The Organization of the Petroleum Exporting Countries (**OPEC**) and certain non-OPEC countries agreed to maintain production caps towards the end of the year which prompted crude oil prices to rise above US$60 per barrel at year-end. Canadian natural gas prices experienced substantial weakness in late summer as a result of both seasonal midstream shutdowns and maintenance, and broad-based export capacity constraints which resulted in some relative weakness in Canadian activity in the second half of 2017.

Capital Expenditures

Our capital program totaled approximately $98 million ($12 million for expansion capital, $37 million for upgrade capital, $26 million for the maintenance of existing assets and infrastructure and $23 million for intangibles).

Rig Fleet Additions and Upgrades

We delivered one new-build *Super Series* rig to our fleet in the U.S. that is currently working under a term contract.

As part of our 2017 capital plan, we completed upgrades on 29 drilling rigs to selectively increase pumping and racking capacities and added walking systems and/or rig automation software, with rig upgrades supported by customer contract commitments that meet our internal return thresholds.

Amendments to Senior Credit Facility

On January 20, we amended our syndicated senior secured credit facility (the **Senior Credit Facility**) to reduce the size of the facility from US$550 million to US$525 million and to provide for additional covenant relief.

On November 21, we further amended the Senior Credit Facility to reduce the size of the facility from US$525 million to US$500 million, extend the maturity by two-and-a-half years to November 2021 and revise our covenants to improve our financial and operating flexibility.

See *Our Capital Structure – Material Debt – Senior Credit Facility*, on page 19.

Asset Impairment Charge

We recorded a US$12 million impairment charge to property, plant and equipment related to our Mexico contract drilling business.

U.S. Senior Note Offering

In November, we completed a US$400 million offering of 7.125% senior unsecured notes due 2026 (the **2026 Notes**) in a private placement. Net proceeds (and cash) were used to fund a tender offer (and redemption for the portion not tendered) of all outstanding 2020 notes and a portion of the outstanding 2021 notes. We used debt repurchases to reduce our long-term debt outstanding as at December 31, 2017 by approximately $52 million from our balance as of December 31, 2016.

See *Our Capital Structure – Material Debt – Senior Unsecured Notes*, on page 22.

Senior Note Exchange Offer

In July, we completed an exchange offer of 7.750% senior unsecured notes due 2023 for an equal amount of senior unsecured notes that we issued by way of private placement in November 2016. The exchange notes were offered to satisfy certain obligations under the registration rights agreement entered into in connection with the November 2016 private placement. The terms of the exchange notes were materially identical to the notes issued in November 2016 except that the exchange notes are freely tradeable in the United States. No proceeds were received from the exchange offer.

Board of Directors

On May 17, Mr. Robert Phillips retired as Chairman of the Board of Directors and was succeeded by Mr. Steve Krablin. On September 22, Ms. Susan M. MacKenzie was appointed to the Board and on December 1, Mr. Michael R. Culbert was appointed to the Board.

2016

Industry Conditions

Persistently low oil and natural gas prices reduced our customers' cash flows, causing them to scale back their capital budgets. As a result, drilling activity declined rapidly throughout most of 2015 and into 2016, negatively impacting on our activity and resulting cash flow. In the fourth quarter of 2016, OPEC and certain non-OPEC countries agreed to production caps, resulting in more stable crude oil prices.

Rig Fleet Additions

We delivered four new-build *Super Series* rigs to our fleet, including two in Kuwait (both under budget and ahead of schedule), one in Canada and one in the U.S. All four rigs are under term contracts.

See *About Our Business – Contract Drilling Services – Drilling Fleet*, on page 12.

Capital Expenditures

Our capital program totaled approximately $203 million ($149 million for expansion capital, $20 million for upgrade capital, and $34 million for the maintenance of existing assets and infrastructure).

Completion and Productions Services Transaction

In late 2016, Precision Well Servicing entered into a transaction to exchange its four remaining Canadian coil tubing units plus $12 million for 48 well service rigs. Exiting the coil business was a strategic transaction to divest a business line where we lacked scale to generate adequate returns. The acquisition of the additional service rig units was a unique opportunity to expand our leading well service position in the Canadian market by adding high quality assets and people to our service rig operations.

U.S. Senior Note Offering

In November, we completed a US$350 million offering of 7.750% senior unsecured notes due 2023 (the **2023 Notes**) in a private placement. Net proceeds (and cash) were used to redeem the outstanding 2019 notes and a portion of the outstanding 2020 notes and repurchase a portion of outstanding 2021 notes. When combined with other debt repurchases during the year, we reduced our long-term debt outstanding as of December 31, 2016 by approximately $213 million from our balance as of December 31, 2015.

See *Our Capital Structure – Material Debt – Senior Unsecured Notes*, on page 22.

Shelf Registration

In August, we completed the filing of a short form base shelf prospectus with the securities regulatory authorities in each of the provinces of Canada and a corresponding registration statement in the United States, for the offering of up to $1 billion of common shares, preferred shares, debt securities, warrants and subscription receipts or units (the **Securities**). The Securities may be offered from time to time during the 25-month period for which the short form base shelf prospectus remains valid.

Amendments to Senior Credit Facility

In April, we amended certain financial covenants under the Senior Credit Facility to provide for temporary covenant relief.

See *Our Capital Structure – Material Debt – Senior Credit Facility*, on page 19.

Dividends

On February 11, we suspended the quarterly dividend.

See *Our Capital Structure – Material Debt – Senior Credit Facility*, on page 19.

2015

Industry Conditions

A substantial decline in global oil prices led to a significant decline in North American drilling activity levels. We undertook several measures to manage our variable costs during the industry downturn, including reducing our capital and operating expenditures. In addition, we reduced our fixed cost structure by consolidating several of our North American operating facilities, streamlining management reporting structures, and reducing staff. Despite demand uncertainties in most markets, we continued to successfully expand our operations in Kuwait.

Rig Fleet Upgrades

We placed 17 newly constructed (or new-build) *Super Series* rigs into service under previously negotiated term contracts: three rigs in Canada, 13 rigs in the U.S. and one rig in Kuwait. We also delivered 10 upgraded drilling rigs: six in Canada, two in the U.S. and two in Mexico. These new and upgraded rigs were part of our 2015 capital expenditure program.

See *About Our Business – Contract Drilling Services – Drilling Fleet*, on page 12.

Capital Expenditures

Our capital program totaled approximately $459 million ($361 million for expansion capital, $49 million for upgrade capital and $49 million for the maintenance of existing assets and infrastructure).

Amendments to Senior Credit Facility

We amended the financial covenants under our Senior Credit Facility to provide for temporary covenant relief and reduced the size of the Senior Credit Facility to US$550 million from US$650 million.

See *Our Capital Structure – Material Debt – Senior Credit Facility*, on page 19.

Asset Write Downs

We decommissioned 79 drilling rigs along with certain spare equipment and recognized asset decommissioning charges of $166 million. We also recorded impairment charges to property, plant and equipment of $282 million and a goodwill impairment charge of $17 million.

Board of Directors

On May 13, Mr. Patrick Murray retired from our Board of Directors, and Mr. Steven Krablin was subsequently elected to the Board.

Senior Note Exchange Offer

In April, we completed an exchange offer of 5.25% senior unsecured notes due 2024 for an equal amount of senior unsecured notes that we issued by way of private placement in June 2014. The exchange notes were offered to satisfy certain obligations under the registration rights agreement entered into in connection with the June 2014 private placement. The terms of the exchange notes were materially identical to the notes issued in June 2014 except that the exchange notes are freely tradeable in the United States. No proceeds were received from the exchange offer.

Tax Reassessment

In March, the Supreme Court of Canada denied the Ontario Minister of Revenue's application for leave to appeal the Ontario Court of Appeal decision dated August 7, 2014, in favour of Precision's wholly-owned subsidiary Inter-Leasing, Inc. The decision concerned reassessments for Ontario income tax for Inter-Leasing, Inc.'s 2001 through 2004 taxation years. In April 2015, we received a payment of $69 million from the Ontario tax authorities, representing $55 million for the refund of assessed taxes and $14 million in interest.

ABOUT OUR BUSINESSES

Corporate Responsibility, Health, Safety and the Environment

We have a long-standing commitment to corporate responsibility, health, safety and the environment in all aspects of our operations. Our Corporate Responsibility, Health, Safety and Environment Council (**Council**) assists the Board in fulfilling its role of overseeing these functions by reviewing, reporting and making recommendations on our policies, standards and practices with respect to corporate responsibility, the environment, occupational health, safety and overall business conduct and ethics. Our *Target Zero* vision promotes continuous safety improvement through awareness and risk reduction and fosters a culture that is diligent about monitoring and preventing corruption, policy violations, environmental violations, injuries or unplanned events.

At Precision, we define corporate responsibility as the responsibility of corporations to generate profit in an ethical way. Our Board's mandate includes monitoring regulatory regimes, trends and issues related to ethics, environmental and occupational health and safety matters and assessing any related risks and external stakeholder issues. Our Board receives quarterly reports from the Council on these matters. In addition, the Board's Corporate Governance, Nominating and Risk Committee annually reviews our approach to governance issues and best practices with respect to our business and emerging issues.

The Council is conducting a materiality assessment review of our environmental, social and governance activities. It plans to develop a strategic framework to enhance our corporate responsibility disclosure based on this assessment.

Our Board is our highest governance body for ensuring we meet our public reporting obligations, which may include disclosure of health, safety, corporate responsibilities and environment matters. Additionally, our CEO is responsible, together with our disclosure committee, for upholding our commitment to providing timely, accurate and balanced disclosure of all material information about Precision. Our approach is to increase transparency and communication with our stakeholders on environmental, social and governance issues, while taking a fit-for-purpose, cost controlled approach each year.

We have an internal scorecard that measures *Triple Target Zero* Days, which recognizes injury-free performance, safe driving performance and zero spills. *Triple Target Zero* Days are a performance indicator that reflects the strength and integration of our Global Quality HSE (**QHSE**) Management Systems into our core culture, to protect our employees, customers and the communities where we operate. Our QHSE Policy Statement notes that our success in reaching *Target Zero* and our QHSE objectives is achieved through our *Target Zero* culture that is committed to living our core values, key beliefs and *Target Zero Rules* and assessing and minimizing the impact on the environment through our processes and procedures, among other things. A full copy of our QHSE Policy Statement is available on our website at www.precisiondrilling.com.

In 2017, our Total Recordable Incident Rate was 1.14. We had no life altering injuries and we had 282 Triple Target Zero Days (zero recordable injuries, zero spills and zero vehicle incidents).

We continuously review our rig designs and components and use advanced technologies to operate safely, improve the life cycle, maintain operational efficiency, reduce energy use, and manage our energy and resources. Several of our rigs have some or all the following features:

Power	▪ use AC electric power generation, distribution and control systems that incorporate variable frequency drive technologies that increase efficiency and reduce fuel consumption ▪ generate heat efficiently by directing air flow from radiators on power generation engines to heat surrounding rig buildings ▪ use alternative power sources to generate heat in cold operating conditions and alternative fuels for generating power
Engines	▪ have high-efficiency diesel engines that meet regulatory emission specifications ▪ use low carbon emission natural gas engines and bi-fuel systems ▪ have advanced muffler systems to reduce noise pollution
Engine radiator systems	▪ have variable pitch fans to reduce horsepower requirements for cooling and ventilation
Rig drawworks	▪ use regenerative braking to eliminate brake noise from conventional band brake systems and return power back into the power supply of the rigs

We recognize the importance of climate change and our impact on the environment. In 2017, we introduced a new element to our strategic plan to report on metrics as we have identified for measuring our corporate responsibility. In 2018, we will begin to track and measure fuel usage with respect to greenhouse gas emissions. Our rigs are designed for high efficiency moving, which reduces the number of trucks needed to relocate a rig to a new customer site. Our rigs are also designed and constructed with a 'reduced footprint', requiring less surface land area to operate. The design of our rig pad is beneficial for

high well density drilling programs because it needs less surface area to operate and eliminates the need for trucks to move between well centres. We also use spill containment devices under our equipment to minimize potential spills around the drill site and limit environmental exposure.

We have introduced the use of low carbon emission natural gas engines and bi-fuel systems to lower carbon emissions. We continue to assess alternative fuel types, other methods of power, heat generation, noise abatement and systems for recovering waste energy.

We believe that a strong culture of governance and ethical behavior is fundamental to the way we do business. Our Code of Business Conduct (**Code**) incorporates our principles and applies to our directors, executive officers, employees and contractors. Our Code includes sections that cover complying with laws, reporting illegal or unethical behaviour, workplace safety, harassment, fair dealing and anti-bribery and corruption. A copy of the Code is available on our website at www.precisiondrilling.com. We also have an anti-bribery and anti-corruption policy which sets out our ethical and legal standards for avoiding and preventing corruption. Our compliance department provides additional training every year on ethical issues, including anti-bribery and anti-corruption for certain groups of employees. We are aware of the Corruption Perception Index and recognize that we operate in some countries with low rankings on this Index. There have been no internal or external investigations regarding non-compliance with anti-bribery and corruption laws and there are currently none underway. We have therefore not needed to provide additional disclosure.

Our People

Seasonality and economic conditions affect our drilling activity and have a more dramatic impact on our rig-based employees. We had an average of 4,851 employees in 2017, with a monthly high of 5,119 and a monthly low of 4,492. Most of our employees work on our drilling and service rigs and are paid hourly.

The market for experienced personnel in the oilfield services industry can be competitive due to the cyclical nature of the work, uncertainty of continuing employment, and generally higher rates of employment during periods of high oil and gas prices.

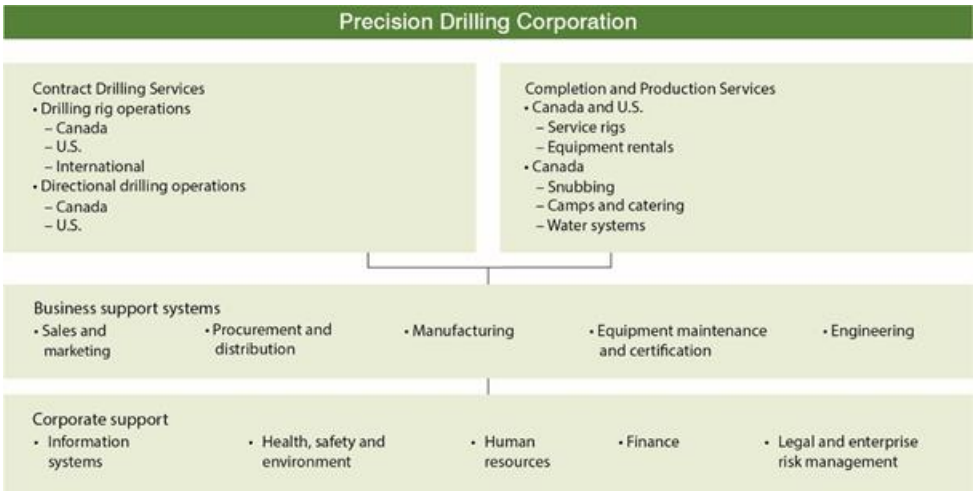
We rely on experienced, well-trained personnel and have formal processes for retaining key personnel, including drillers, rig manager and field superintendent positions.

We invest in systems and processes, and execute our talent management strategy to attract, support, train, develop and retain talent in key positions, as well as high performers and potential future leaders. We implement programs at all levels to maintain a well-trained, highly capable talent pool with a broad range of functional business experience. Developing a skilled talent pool helps support our collaborative culture and our core values for building a sustainable and productive organization that aligns with our *High Performance High Value* strategy. Our compensation program is designed to retain experienced field personnel during all market cycles, support targeted recruitment initiatives, support and reward the achievement of our short-term and long-term strategic objectives and priorities and align with a performance management system that links compensation to the achievement of specific corporate and individual goals.

We measure performance excellence through our safety record and reputation. These factors help us attract and retain employees when the industry experiences manpower shortages during peak operating periods.

Business Segments

We have two business segments – Contract Drilling Services and Completion and Production Services, which share business support systems and corporate and administrative services.



The tables below summarize our two business segments and the scope of our services in Canada, the U.S. and internationally:

Contract Drilling Services	
Operates our rigs in Canada, the U.S. and internationally and provides onshore well drilling services to exploration and production companies in the oil and natural gas industry. At December 31, 2017, the segment consisted of: ▪ 256 land drilling rigs, including: – 136 in Canada – 103 in the U.S. – 5 in Mexico – 4 in Saudi Arabia – 5 in Kuwait – 2 in the Kurdistan region of Iraq – 1 in the country of Georgia ▪ capacity for approximately 90 concurrent directional drilling jobs in Canada and the U.S. ▪ engineering, manufacturing and repair services, primarily for Precision's operations ▪ centralized procurement, inventory, and distribution of consumable supplies for our global operations	Canada ▪ land drilling services ▪ directional drilling services ▪ procurement and distribution of oilfield supplies ▪ manufacture and refurbishment of drilling and service rig equipment U.S. ▪ land drilling services ▪ directional drilling services ▪ turnkey drilling services ▪ procurement and distribution of oilfield supplies ▪ manufacture and refurbishment of drilling and service rig equipment International ▪ land drilling services

Completion and Production Services		
Comprises a number of businesses providing completion and workover services and ancillary services to oil and natural gas exploration and production companies in Canada and the U.S. At December 31, 2017, the segment consisted of: ▪ 198 well completion and workover service rigs, including: – 190 in Canada – 8 in the U.S. ▪ 12 snubbing units in Canada ▪ approximately 1,900 oilfield rental items, including surface storage, small-flow wastewater treatment, power generation, and solids control equipment, primarily in Canada ▪ 133 wellsite accommodation units in Canada ▪ 43 drilling camps and four base camps in Canada ▪ 10 large-flow wastewater treatment units, 22 pump houses, and eight potable water production units in Canada	Canada	▪ well completion and workover service rigs ▪ snubbing units ▪ camp and catering services ▪ oilfield surface equipment rental ▪ wellsite accommodations ▪ water treatment services
	U.S.	▪ well completion and workover service rigs ▪ oilfield surface equipment rental

Revenue

Years ended December 31 *(thousands of Canadian dollars)*		2017		2016[1]
Contract Drilling Services	**$**	**1,173,930**	$	907,821
Completion and Production Services		**154,146**		100,049
Inter-segment eliminations		**(6,852)**		(4,637)
Total revenue	**$**	**1,321,224**	$	1,003,233

Note:
(1) During the third quarter of 2017, we changed our treatment of how certain amounts that were historically netted against operating expense should be classified. As a result of these reclassifications, we recast our 2016 revenue amounts, which are the amounts provided in the table. See our management's discussion and analysis of our financial condition and results of operation (MD&A) relating to our consolidated financial statements for the fiscal year ended December 31, 2017 for further information.

Contract Drilling Services

Precision Drilling

At the end of 2017, we had a fleet of 256 land rigs deployed in Canada, the U.S. and internationally.

- **Canada** – we operated the largest fleet of land drilling rigs. We actively marketed 136 drilling rigs located throughout western Canada, accounting for approximately 22% of the industry's estimated fleet of 623 drilling rigs.
- **United States** – we marketed 103 land drilling rigs, the fourth largest fleet, representing approximately 5% of the country's estimated 2,117 total marketed land drilling rigs.
- **Internationally** – we had five land drilling rigs in Mexico, four in Saudi Arabia, five in Kuwait, two in the Kurdistan region of Iraq, and one in the country of Georgia.

Drilling Contracts

Our contract terms are generally based on the complexity and risk of operations, on-site drilling conditions, the type of equipment used, and the anticipated duration of the work to be performed.

Drilling contracts can be for single or multiple wells and can vary in length from a few days on shallow single-well applications to multiple-year, multiple-well drilling programs. Term drilling contracts typically have fixed utilization rates for a minimum of six months and include penalties for early termination, provisions for escalating costs and options for renewing the contract. Short-term contracts that provide drilling rigs on a well-to-well basis are typically subject to termination by the customer on short notice or with little or no penalty. Our new-build drilling rigs generally have contracts in place with terms of two-to-five-years before the rig is completed. In most cases contracts are in place before rig construction begins.

In 2017, we had an average of 57 drilling rigs (20 in Canada, 29 in the U.S. and eight internationally) working under term contracts. Revenue from these contracts was approximately 47% of our total contract drilling revenue for the year.

We market our drilling rigs mainly on a regional basis through sales and marketing personnel. We secure contracts to drill wells either through competitive bidding or as a result of relationships and negotiations with customers.

Our contracts have been carried out almost exclusively on a daywork basis. Under a daywork contract:

- we provide a drilling rig with required personnel, and the customer supervises the drilling of the well
- we charge the customer a fixed rate per day regardless of the number of days needed to drill the well
- contracts usually provide for a reduced day rate (or a lump sum amount) to mobilize the rig to the well location, to rig-up and rig-down on location, and to demobilize the rig, and
- generally, we do not bear any of the costs arising from downhole risks.

We also drilled a small number of wells near the U.S. Gulf Coast (approximately 1% of our U.S. rig utilization in 2017) on a turnkey basis. Under a turnkey contract, we agree to drill a well to a certain depth for a fixed price. We assume higher risk under a turnkey contract and therefore generally have the potential for greater profit or loss.

Seasonality

Drilling and well servicing activity is affected by seasonal weather patterns and ground conditions. In Canada and the northern U.S., wet weather and the spring thaw make the ground unstable resulting in road restrictions that limit the movement of heavy oilfield equipment and reduce the level of drilling and well servicing activity during the second quarter of the year.

In northern Canada, some drilling sites can only be accessed in the winter once the terrain is frozen, which is usually late in the fourth quarter. Our business activity depends, in part, on the severity and duration of the winter drilling season. See *Risks in our Business*, starting on page 25.

Competition

The land drilling industry is highly competitive and fragmented with the top 4 providers owning approximately 55% of the marketed rig fleet in the U.S. and approximately 49% of the industry fleet in Canada as of December 31, 2017.

Technology is increasingly differentiating the market, as the industry trends away from vertical wells to more demanding directional and horizontal drilling programs that require higher capacity rigs. Consequently, the rig market has been shedding older, low technology rigs in favour of more powerful and efficient, high specification rigs better suited for horizontal wells and resource development programs.

Competitive Strategy

Providing *High Performance, High Value* services to our customers represents the core of our competitive strategy. We deliver*High Performance* through passionate people supported by quality business systems, drilling technology, equipment and infrastructure designed to optimize results and reduce risks. We create *High Value* by operating safely and sustainably, lowering our customers' risks and costs while improving efficiency, developing our people, and generating superior financial returns for our investors.

We keep customer well costs down by maximizing operating efficiency in several ways:

- using innovative and advanced drilling technology that is efficient and reduces costs
- having equipment that is geographically dispersed, reliable and well maintained
- monitoring our equipment to minimize mechanical downtime
- managing operations effectively to keep non-productive time to a minimum
- staffing well trained crews with performance measured against defined competencies, and
- compensating our executives and eligible employees based on performance against safety, operational, employee retention and financial measures.

At the end of 2017, we operated the largest fleet of land drilling rigs in Canada, and the fourth largest fleet in the U.S. We had a footprint in all the most active North American resource plays, including the Bakken, Cardium, Duvernay, Montney and Viking formations in Canada and the Bakken, Eagle Ford, Granite Wash, Haynesville, Marcellus, Niobrara, Permian, Stack, South Central Oklahoma Province (SCOOP) and Utica resource plays in the U.S.

Drilling Fleet

Our drilling fleet is comprised almost entirely of Tier 1 rigs, or *Super Series* rigs. Tier 1 rigs are highly mobile and mechanized, which make them safer and more efficient in drilling directional and horizontal wells than older generation drilling rigs. Our *Super Series* rigs have a broad range of features to meet a diverse range of customer needs, from drilling shallow- to medium-depth wells to exploiting the deep, unconventional shale plays that have driven North American energy production growth over the past decade. Available features include alternating current (**AC**) power, digital control systems, integrated top drive, omni-directional pad walking or skidding systems for multi-pad well drilling, mechanized pipe handling and high capacity mud pumps. Our *Super Series* fleet also includes a number of smaller, fast-moving, hydraulically-powered mechanized rigs that are optimized for shallow-to-medium-depth resource plays found across North America. Of the 256 rigs in our fleet as of December 31, 2017, 240 rigs were *Super Series* rigs and 16 were candidates for upgrades.

Directional Drilling

Precision integrated directional services is a leading provider of integrated directional drilling services. We specialize in deviating a wellbore along a planned path to a given target location underground. Our rig drillers are supported by expert directional drillers and proven technologies provide the controls needed to drill high quality wellbores with high rates of penetration while achieving the precise well placement needed to maximize production in vertical, horizontal and complex directional wells. The instructions required to steer the drill bit are accomplished either traditionally by an onsite directional driller or via computer algorithms (Directional Guidance System). These instructions which consist of course length and desired bottom hole assembly orientation are executed by experienced Precision drillers and remotely monitored by our Real-time Remote Operating Center. Precision integrated directional drilling business is strategically positioned to cover the major North American basins.

At the end of 2017, we had capacity for approximately 90 concurrent directional drilling jobs in Canada and the U.S. with operational, technical and maintenance facilities in both countries. Centres in Calgary, Alberta and Houston, Texas manage directional drilling operations in the field in real-time.

International

Grey Wolf International (**Grey Wolf**) is our platform and market brand for the international oil and natural gas drilling market. Grey Wolf is actively exploring opportunities in various international markets. International oilfield service operations involve relatively long sales cycles with bidding periods, contract award periods and rig mobilization periods measured in months. Grey Wolf has a regional office in Dubai, United Arab Emirates.

At the end of 2017, our Grey Wolf subsidiaries had five land drilling rigs in Mexico, four in Saudi Arabia, five in Kuwait, two in the Kurdistan region of Iraq, and one in the country of Georgia.

Manufacturing

Based in Canada, Rostel Industries manufactures drilling rigs and equipment as well as manufactures and refurbishes components for drilling and service rigs. Rostel Industries supports our vertical integration, and approximately 90% of its revenue in 2017 was related to Precision business. Having the in-house ability to repair or provide new components for either drilling or service rigs also improves the efficiency and reliability of our fleets.

Oilfield Supply

Columbia Oilfield Supply in Canada and PD Supply in the U.S. are general oilfield supply warehouses that procure, package and distribute large volumes of consumable oilfield supplies. The two supply warehouses achieve economies of scale through bulk purchasing and standardized product selection and then coordinate distribution to Precision rig sites. Columbia Oilfield Supply and PD Supply play a key role in our supply chain management. In 2017, 82% of Columbia Oilfield Supply and 100% of PD Supply activities supported Precision operations. This leverages our procurement volumes to lower costs and reduces the administrative workload for field personnel and enhances our competitiveness.

Completion and Production Services

Precision Well Servicing and Precision Completion and Production Services

Precision offers a versatile fleet of service rigs for well completion, workover, abandonment, maintenance and re-entry preparation services as well as snubbing units for pressure control services. The fleet is strategically positioned throughout western Canada and in the northern U.S. In late 2014, we divested our U.S. coil tubing assets and in late 2016 we divested our Canadian coil tubing assets.

Well Service Activities

Well servicing and pressure control jobs are typically of short duration, generally conducted during daylight hours, so it is important for a service rig to be close to customer demand and able to move quickly from one site to another. Well servicing requires a unique skill set as crews must deal with the potential dangers and safety concerns of working with pressurized wellbores. Completion, workover or pressure control services can take a few days to several weeks to complete depending on the depth of the well and the complexity of the completion or workover.

At the end of 2017, Precision Well Servicing had an industry market share in Canada, based on operating hours, of approximately 14% with a fleet of 190 service rigs (the largest in western Canada) compared to a Canadian industry fleet average of approximately 955 service rigs. Precision Completion and Production Services operated eight service rigs in the U.S.

Service Rig Fleet

The table below shows the configuration of Precision's well servicing fleet as at December 31, 2017. The fleet's operating features are detailed on our website.

Type of Service Rig	Size	Total
Mobile Rigs		
Highly mobile, efficient rig up and rig down, minimal surface disturbance,	Single	96
freestanding design eliminates anchoring	Double	71
Freestanding rigs comprise 90% of the fleet	Slant	21
Skid Mounted Rigs		
Designed for deeper wells with multi-zone completions or re-completions, service jobs are generally of longer duration so rigs move less often	Double	10
Total		198

Service Rig Activities

Well servicing operations have two distinct functions – completions and workovers. The demand for completion services is generally more volatile than for workover services.

Of our total oil and natural gas well service rig activity in Canada in 2017:

- workovers and abandonments accounted for approximately 92%
- completions accounted for approximately 8%.

Completions – Customers often contract a specialized service rig to take over from a larger, more expensive drilling rig to prepare a newly drilled well for initial production. The service rig and crew work jointly with other services to open and stimulate the producing zones for initial production.

The demand for well completion services is related to the level of drilling activity in a region.

Workovers – Workover services are generally provided according to customer preventive maintenance schedules or on a call-out basis when a well needs major repairs or modifications. Workover services generally involve remedial work such as repairing or replacing equipment in the well, enhancing production, re-completing a new producing zone, recovering lost equipment or abandoning the well.

Producing oil and natural gas wells generally require some type of workover or maintenance during their life cycle. The demand for production or workover services is based on the total number of existing active wells and their age and producing characteristics.

Pressure Control Services

Snubbing Services – Snubbing units can be employed to provide a wide range of services. While traditional well servicing operations require pressure in a well to be neutralized, or 'killed', using fluids (potentially impairing production) to safely perform the services, snubbing units perform certain workover and completion activities under pressure (without killing the well). Snubbing units are equipped with specialized snubbing devices, which allow tubing to be installed in or removed from a well, or 'snubbed', while the well is under pressure and production has been suspended.

At the end of 2017, we marketed six portable hydraulic rig-assist snubbing units and six self-contained snubbing units in western Canada.

Rig-assist units work with a service rig to complete the snubbing activity for a well. Self-contained units do not require a service rig on site and are capable of snubbing and many other services traditionally performed by a service rig.

Precision Rentals

Precision Rentals provides approximately 1,800 pieces of oilfield rental equipment for rental to customers from five operating centres and 11 stocking points throughout western Canada, supported by a technical service centre in central Alberta. Precision Rentals also has approximately 100 pieces of rental equipment in the northern U.S. Most exploration and production companies do not own the specialty equipment used in oil and natural gas operations and rely on suppliers like Precision Rentals for access to large inventories of drilling, completion and production equipment.

Precision Rentals has five distinct product categories:

- surface equipment (including environmental invert drilling mud storage, hydraulic fracturing fluid storage, production tanks and other fluid handling equipment)
- wellsite accommodations (fully equipped units that provide on-site office and lodging for field personnel)
- small-flow wastewater treatment facilities
- power generation equipment, and
- solids control equipment.

Precision Camp Services

Precision Camp Services provides food and accommodation to personnel working at the wellsite, typically in remote locations in western Canada. At the end of 2017, Precision Camp Services had 43 drill camps and four base camps in western Canada. Each mobile camp includes five to six building units that typically accommodate 20 to 25 members of rig crew and other personnel and, if required, individual dormitory units that accommodate up to 45 additional personnel.

Precision Camp Services has also configured several camps and dormitories to provide housing and meals for base camps with up to 500 personnel on separate major projects in western Canada. As the oil and natural gas industry searches for new reserves in more remote locations, crews need to stay near the worksite, often in camps, throughout the duration of a drilling program. Precision Camp Services serves Precision and other companies in the upstream oil and natural gas sector and, from time to time, other industries operating in remote locations.

Water Systems

Terra Water Systems designs, fabricates and rents units to customers including: portable wastewater handling, treatment and disposal facilities, potable water production plants, and potable water delivery systems for remote sites in western Canada.

Terra Water Systems has 10 large-flow wastewater treatment plants, eight potable water production plants and 24 pump houses that are used in base camp and other large remote work site markets. These treatment facilities provide an environmentally sound solution to treating wastewater, eliminating the traditional tank-and-haul process and concerns about the timing, hauling and disposal of effluent. Technical staff visit each treatment facility regularly to conduct sampling and independent laboratory effluent testing as part of their system management. The wastewater treatment plants are designed to be easy to operate. They provide quality treatment of effluent, eliminate odors, and align with existing environmental, health and safety regulations for surface release of treated wastewater.

Technical Centres

We operate two drilling technical centres, one in Nisku, Alberta and one in Houston, Texas. We also operate one completion and production services technical centre in Red Deer, Alberta. These centres accommodate our technical service and field training groups and consolidate support and training for our operations. The Houston and Nisku facilities have fully functioning training rigs with the latest drilling technologies. In 2017, we trained approximately 5,500 people at our training facilities.

OUR CAPITAL STRUCTURE

Common Shares

We can issue an unlimited number of common shares. At December 31, 2017, there were 293,238,858 common shares issued and outstanding.

The Board holds an annual meeting of common shareholders to elect the directors and appoint the auditors, among other things. It can convene a special meeting of shareholders at any time and for any reason.

Only shareholders of record can attend and vote at shareholder meetings. They can vote in person or by proxy, and their proxyholder does not need to be a shareholder. Each common share entitles the holder to one vote.

Common shareholders have the right to receive dividends as and when declared by the Board. They also have the right to receive our remaining property and assets if Precision is wound up, subject to the prior rights and privileges attached to our other classes of shares.

Market for Securities

The table below summarizes the trading activity for our common shares in 2017. Our common shares trade on the TSX, under the symbol *PD,* and on the NYSE, under the symbol *PDS*.

	TSX (PD)			NYSE (PDS)		
	High ($)	Low ($)	Volume	High (US$)	Low (US$)	Volume
January	8.11	6.99	36,573,504	6.14	5.38	58,048,460
February	7.80	6.46	33,196,375	5.95	4.93	56,876,630
March	7.03	5.82	30,738,785	5.28	4.33	55,673,852
April	6.76	5.30	35,461,945	5.09	3.87	54,555,360
May	5.46	4.65	38,921,360	4.01	3.44	64,893,770
June	5.14	4.08	37,098,516	3.80	3.05	72,406,690
July	4.57	3.58	34,624,660	3.53	2.87	59,811,256
August	3.90	3.01	32,526,059	3.09	2.38	64,472,510
September	4.01	3.11	65,364,880	3.24	2.50	75,863,660
October	3.99	2.89	48,233,758	3.20	2.26	53,773,316
November	4.11	3.13	68,146,460	3.24	2.44	63,289,724
December	3.87	3.21	54,387,360	3.08	2.50	42,864,400

Dividends

In December 2012, the Board approved an annualized dividend of $0.20 per common share, payable quarterly ($0.05 per quarter). In November 2013, the Board increased the quarterly rate by 20% to $0.06 per common share ($0.24 per common share annualized), and in November 2014, the Board increased the quarterly rate by 17% to $0.07 per common share ($0.28 per common share annualized). On February 11, 2016, we suspended the quarterly dividend.

Our Senior Credit Facility allows the payment of dividends as long as no default or event of default has occurred and if our pro forma senior net leverage covenant is less than or equal to 1.75:1. Amendments to the Senior Credit Facility prohibit distributions until after March 31, 2019.

The senior notes contain a restricted payments covenant that limits our ability to make payments in the nature of dividends, and distributions. The restricted payments basket grows from a starting point of January 1, 2010 for the 2021 and 2024 senior notes, from October 1, 2016 for the 2023 senior notes, and from October 1, 2017 for the 2026 senior notes, by, among other things, 50% of cumulative consolidated net earnings, and decreases by 100% of cumulative consolidated net losses as defined in the note agreements, and cumulative payments made to shareholders. Based on our consolidated financial results for the period ended December 31, 2015, the governing net restricted payments basket under the senior notes was negative $152 million prohibiting us from making any further dividend payments for dividends declared on or after December 31, 2015 until the governing restricted payments basket becomes positive.

Based on our consolidated financial results for the period ended December 31, 2017, the relevant restricted payments basket was negative $213 million, prohibiting us from making any further dividend payments until the governing restricted payments basket once again becomes positive.

The table below shows the dividends declared on our common shares for the three-year period ending December 31, 2017:

Record Date	Payment Date	Amount per common share ($)
November 6, 2015	November 18, 2015	0.07
August 10, 2015	August 21, 2015	0.07
May 15, 2015	May 29, 2015	0.07
February 27, 2015	March 12, 2015	0.07

Shareholder Rights Plan

On June 1, 2010, we converted from Precision Drilling Trust, an income trust, to a corporation. When unitholders of Precision Drilling Trust approved the plan of arrangement to convert to a corporate structure, they also approved the adoption of a shareholder rights plan. The plan is designed to protect the rights of all shareholders and maximize value if there is ever a take-over bid for Precision.

Take-over bids can be coercive or discriminatory, or initiated at a time when it may be difficult for the Board to prepare an adequate response.

Our shareholder rights plan discourages these kinds of offers by creating potential significant dilution to the offeror by issuing contingent rights to all our shareholders to acquire additional Precision shares at a significant discount to the prevailing market price that could, in certain circumstances, be exercised by all our shareholders other than the offeror and its associates, affiliates and joint actors.

An offeror can avoid the potential dilution by making an offer that either:

- qualifies as a permitted bid under our shareholder rights plan and therefore meets certain specified conditions (including a minimum deposit period of 60 days) and aims to ensure all shareholders are treated equally, or
- does not qualify as a permitted bid but is negotiated with us and is exempted from the shareholder rights plan because the offer can be bargained for agreed terms and conditions that we believe are in the best interests of Precision shareholders.

Precision's shareholders confirmed the continuation and revisions to the plan at the 2013 annual and special meeting of shareholders and confirmed the continuation of the plan at the 2016 annual meeting of shareholders.

Term and Expiration

Our shareholder rights plan expires on the Expiration Time, which is defined as (i) the date the Rights (as defined below) are redeemed (the **Termination Time**) or (ii) the termination of the annual meeting of Precision shareholders in the year 2019, whichever is earlier.

Issue of Rights

Under our shareholder rights plan agreement with Computershare Trust Company of Canada (**Computershare**) as our rights agent, we issued one right (**Right**) for each Precision common share that was outstanding at the close of business June 2, 2010, the effective date of our shareholder rights plan (the **Effective Date**), and one right for each additional common share that was issued after that date, subject to the terms and conditions of the plan.

Issuing Rights is not dilutive and will not affect reported earnings or cash flow per Precision share unless the Rights separate from the underlying Precision shares for which they were issued and become exercisable or are exercised.

Issuing Rights will also not change the way Precision shareholders currently trade their Precision shares and is not intended to interfere with Precision's ability to undertake equity offerings in the future.

Rights Exercise Privilege

The Rights will separate from our shares, unless delayed by the Board, and will be exercisable 10 trading days (the **Separation Time**) after a person has acquired, or commenced a take-over bid to acquire, 20% or more of our shares, other than by an acquisition pursuant to a take-over bid permitted by our shareholder rights plan (a **Permitted Bid**). The acquisition by any person (an **Acquiring Person**) of 20% or more of our shares, other than by way of a Permitted Bid, is referred to as a **Flip-in Event**. Any Rights held by an Acquiring Person will become void if a Flip-in Event occurs.

Each Right (other than those held by an Acquiring Person) entitles its holder to purchase additional Precision shares at a substantial discount to their prevailing market price at the time.

Permitted Bid Requirements

A take-over bid must meet the following requirements to qualify as a Permitted Bid:

- the bid must be made by way of a formal take-over bid circular under applicable securities legislation
- the bid must be made to all registered holders of Precision shares (other than the offeror)

- the bid must be subject to irrevocable and unqualified provisions that:
  - the bid will remain open for acceptance for at least 60 days from the date of the bid
  - the bid will be subject to a minimum tender condition of more than 50% of the Precision shares held by independent shareholders
  - shares may be deposited to the bid at any time from the date of the bid until the date the shares may be taken up and paid for and shares may be withdrawn until taken up and paid for
  - the bid will be extended for at least 10 business days if more than 50% of the Precision shares held by independent shareholders are deposited to the bid (and the offeror shall make a public announcement of that fact).

A competing take-over bid that is made while a Permitted Bid is outstanding will be considered a Permitted Bid under our shareholder rights plan if the competing bid satisfies all the criteria for Permitted Bid status, except that it may expire on the same date (which may be less than 60 days after the bid has started) as the Permitted Bid outstanding (subject to the current statutory minimum shortened deposit period of 35 days from the start of the bid).

Permitted Lock-up Agreement
A person will not become an Acquiring Person when entering into an agreement (a**Permitted Lock-Up Agreement**) with a Precision shareholder where the Precision shareholder (the **Locked-Up Person**) agrees to deposit or tender its Precision shares to a take-over bid (the**Lock-Up Bid**) made by that person, provided the agreement meets certain requirements, including that:

- the terms of the agreement are publicly disclosed and a copy is publicly available
- the Locked-Up Person can terminate its obligation under the agreement in order to tender its Precision shares to another take-over bid or transaction where:
  - the offer price or value of the consideration payable is (A) greater than the price or value of the minimum, which cannot be more than 107% of the offer price under the Lock-Up Bid or (B) equal to or greater than a specified minimum, which cannot be more than 107% of the offer price under the Lock-Up Bid
  - if less than 100% of the number of outstanding Precision shares held by independent shareholders are offered to be purchased under the Lock-Up Bid, the number of Precision shares offered to be purchased under another take-over bid or transaction (at an offer price not lower than pursuant to the Lock-Up Bid) is (A) greater than the number offered to be purchased under the Lock-Up Bid or (B) equal to or greater than a specified number, which cannot be more than 107% of the number offered to be purchased under the Lock-Up Bid
- if the Locked-Up Person fails to deposit its Precision shares to the Lock-Up Bid, no break fees or other penalties that exceed, in the aggregate, the greater of (A) 2.5% of the price or value of the consideration payable under the Lock-Up Bid and (B) 50% of the increase in consideration resulting from another take-over bid or transaction, shall be payable by the Locked-Up Person.

Certificates and Transferability
Before the Separation Time, a legend imprinted on Precision share certificates representing Precision shares issued after the Effective Date will serve as proof of the Rights. Rights will trade together with, and may not be transferred separately from, the Precision shares.

As of Separation Time, separated certificates will serve as proof of the Rights. Rights may be transferred separately from the Precision shares.

Waiver
The Board, acting in good faith, may, before a Flip-In Event occurs, waive the application of our shareholder rights plan to a particular Flip-In Event where the take-over bid is made by a take-over bid circular to all holders of our shares. If the Board exercises its power to waive one take-over bid, the waiver will also apply to any other take-over bid for our shares made by a take-over bid circular to all holders of our shares before the expiry of any other bid for which our shareholder rights plan has been waived.

The Board may also waive the application of our shareholder rights plan for a Flip-In Event that has occurred inadvertently, as long as the Acquiring Person that inadvertently triggered the Flip-In Event reduces its beneficial holdings below 20% of the outstanding Precision shares within 14 days or another date determined by the Board.

The Board may waive the application of our shareholder rights plan to any other Flip-In Event before it occurs if it has received shareholder approval.

Redemption
Rights are deemed to be redeemed following completion of a Permitted Bid (including a competing Permitted Bid) or any other take-over bid for which the Board has waived the application of our shareholder rights plan.

With shareholder approval, the Board may also, prior to the occurrence of a Flip-In Event, elect to redeem all the then outstanding Rights at a nominal redemption price of $0.00001 per Right.

Exemptions for Investment Advisors, etc.
Investment advisors (for their client accounts), trust companies (acting in their capacity as trustees or administrators), statutory bodies whose business includes the management of funds (for employee benefit plan, pension plans or insurance plans of various public bodies), and administrators or trustees of registered pension plans or funds and agents or agencies of the Crown, which acquire more than 20% of the outstanding Precision shares, are effectively exempted (through the definition of "beneficial ownership" under our shareholder rights plan) from triggering a Flip-In Event provided that they are not in fact making, either alone, jointly or in concert with any other person, a take-over bid.

Directors' Duties
Our Shareholder Rights Plan will not in any way lessen or affect the duty of the Board to act honestly and in good faith with a view to the best interests of Precision. If there is a take-over bid or a similar proposal, the Board will still have the duty to take action and make recommendations to Precision shareholders that it considers appropriate.

If there is a conflict between this summary and the provisions of the Shareholder Rights Plan Agreement, the Shareholder Rights Plan Agreement, as amended and restated, will govern. You can request a copy by contacting our Corporate Secretary:

Precision Drilling Corporation
Suite 800, 525 – 8th Avenue SW
Calgary, Alberta, Canada T2P 1G1
Attention: Corporate Secretary
Email: corporatesecretary@precisiondrilling.com
Tel: 403.716.4500
Fax: 403.264.0251

Preferred Shares
The number of preferred shares that may be authorized for issue at any time cannot exceed more than half of the number of issued and outstanding common shares. There are currently no preferred shares issued and outstanding.

We can issue preferred shares in one or more series. The Board must pass a resolution determining the number of shares in each series, and the designation, rights, privileges, restrictions and conditions for each series, before the shares can be issued. This includes the rate or amount of dividends, when and where dividends are paid, the dates dividends accrue from any rights or obligations for us to buy or redeem the shares, and the price, terms and conditions, and any conversion rights.

Material Debt
As at December 31, 2017, we had:

- US$500 million (excluding outstanding letters of credit of US$21 million) available under the Senior Credit Facility
- US$249 million outstanding under the 2011 offering of 6.50% senior unsecured notes due 2021 (the **2021 Notes**)
- US$350 million outstanding under the 2016 offering of 7.75% senior unsecured notes due 2023 (the **2023 Notes**)
- US$400 million outstanding under the 2014 offering of 5.25% senior unsecured notes due 2024 (the **2024 Notes**)
- US$400 million outstanding under the 2017 offering of 7.125% senior unsecured notes due 2026 (the **2026 Notes**)

The following is a summary of the material terms of the Senior Credit Facility, the 2021 Notes, the 2023 Notes, the 2024 Notes and the 2026 Notes. Copies of the Senior Credit Facility and the note indenture governing the 2021 Notes (the **2021 Note Indenture**), the note indenture governing the 2023 Notes (the **2023 Note Indenture**), the note indenture governing the 2024 Notes (the **2024 Note Indenture**) and the note indenture governing the 2026 Notes (the **2026 Notes Indenture**) are available on SEDAR (**www.sedar.com**) and EDGAR (**www.sec.gov**).

Senior Credit Facility
We entered into the Senior Credit Facility with a syndicate of lenders and the Royal Bank of Canada as administrative agent in 2010.

The Senior Credit Facility is an extendible revolving term credit facility that is used for general corporate purposes and is secured by liens on substantially all our present and future assets and the present and future assets of our material U.S. and Canadian subsidiaries (including subsidiaries we have designated *material*, collectively the **Material Subsidiaries**, as set out in the Senior Credit Facility). The Senior Credit Facility includes representations and warranties, covenants and events of default that are customary for transactions of this nature, including financial ratio covenants that are tested quarterly or prior to certain distributions or junior debt repayments.

In March 2015, we amended certain financial covenants under the credit agreement governing our Senior Credit Facility to, among other things, temporarily increase the maximum consolidated total debt to Adjusted EBITDA ratio (as defined in the credit agreement) to 6:1 from 4:1 and temporarily reduce the minimum interest coverage ratio to 2.5:1 from 2.75:1, in each case until December 31, 2016.

In October 2015, we further amended the credit agreement, whereby we reduced the size of the Senior Credit Facility to US$550 million from US$650 million and eliminated the consolidated total debt to adjusted EBITDA financial covenant ratio in its entirety. We further decreased the minimum interest coverage ratio to 2:1 from 2.5:1 for a temporary period up to and including December 31, 2017, which under the amendment would revert to 2.5:1 thereafter until the maturity date of the facility. We also reduced the maximum consolidated senior debt to adjusted EBITDA financial covenant ratio to 2.5:1 from 3:1 and added a new debt covenant whereby we agreed to not incur or assume more than US$250 million in new unsecured debt other than where the new unsecured debt is used to refinance existing unsecured debt or the new debt is assumed through an acquisition.

In April 2016, we agreed with our lending group to the following amendments to our Senior Credit Facility:

- reduce the Adjusted EBITDA (as defined in the credit agreement) to interest expense coverage ratio of greater than or equal to 2:1 to 1.5:1, reverting to 2.5:1 for periods ending after March 31, 2018
- permit second lien debt not to exceed US$400 million subject to certain terms and conditions
- amend certain negative covenants to prohibit distributions during the covenant relief period, among other things
- add a new covenant with respect to anti-cash hoarding whereby we are only permitted to draw a maximum of US$50 million on the facility if the only purpose is to accumulate cash
- add a new covenant that restricts the repurchase and redemption of unsecured debt if our pro-forma liquidity is less than US$500 million during the covenant relief period.

In January 2017, we agreed with our lenders to the following amendments to our Senior Credit Facility:

- reduce the Adjusted EBITDA (as defined in the credit agreement) to interest expense coverage ratio to greater than or equal to 1.25:1 for periods ending March 31, June 30 and September 30, 2017. For the periods ending December 31, 2017 and March 31, 2018, the ratio is 1.5:1, and reverting to 2.5:1 thereafter
- reduce the size of the facility to US$525 million.

In November 2017, we agreed with our lenders to the following amendments to our Senior Credit Facility:

- the Adjusted EBITDA (as defined in the credit agreement) to interest expense coverage ratio to greater than or equal to 1.50:1 for the period ending March 31, 2018. For the periods ending June 30, September 30, December 31, 2018 and March 31, 2019, the ratio is 2.0:1, and reverts to 2.5:1 thereafter
- reduce the size of the facility to US$500 million
- permit the redemption and repurchase of junior debt subject to a pro forma consolidated senior net leverage covenant ratio of less than or equal to 1.75:1
- permit distributions post the covenant relief period subject to a pro forma consolidated senior net leverage covenant ratio of less than or equal to 1.75:1.

At December 31, 2017, we were in compliance with the covenants of the Senior Credit Facility.

The table below sets out the key features of the Senior Credit Facility as of March 13, 2018:

Key Features of Senior Credit Facility	
Amount	▪ provides senior secured financing of up to US$500 million ▪ includes a provision to increase the credit facility limit by up to an additional US$250 million during the covenant relief period and US$300 million thereafter (subject to certain conditions, including obtaining additional lender commitments)
Term and repayment	▪ matures and to be repaid in full on the earlier of November 21, 2021 and 90 days inside the maturity of any junior debt ▪ provides us the option to request the lenders to extend the term of the facility at their discretion for up to five years from the date of request
Letters of credit	▪ provides for letters of credit (including letters of guarantee) in U.S. or Canadian dollars or other currencies acceptable to the fronting lender up to a total of US$200 million (as a sublimit of the overall commitments)
Interest rates and fees	▪ provides us the option to choose the interest rate on loans denominated in U.S. or Canadian dollars: – either a margin over a U.S. base rate or a margin over LIBOR for U.S. dollar loans – either a margin over the Canadian prime rate or a margin over the Bankers' Acceptance rate for Canadian dollar loans. The margins are based on the then applicable ratio of consolidated total debt to adjusted EBITDA (as defined in the credit agreement governing our Senior Credit Facility) (margin ratio) ▪ also provides for: – a standby fee for each lender calculated on the unused amount of its commitment at a percentage based on the applicable margin ratio – an issue fee on the outstanding amount of the letters of credit equal to the margin applicable to LIBOR loans and Bankers' Acceptances (subject to reduction in fees for non-financial letters of credit) – a fronting fee to be paid to each fronting lender

Key Features of Senior Credit Facility	
Guarantees and security	▪ we and our Material Subsidiaries have pledged substantially all our respective present and future assets, secured by a perfected first priority lien, subject to certain permitted encumbrances, as security for our obligations (including obligations to cash management providers, operating lenders and swap providers). All Material Subsidiaries have also guaranteed these obligations ▪ if we receive a corporate credit rating of at least *BBB-* from S&P and *Baa3* from Moody's, we have the option to require the security to be released (with a corresponding obligation to re-grant security if the rating drops below this threshold after the release). We currently have a corporate credit rating of *BB* from Standard & Poor's Ratings Services (S&P) and a rating of *B2* from Moody's Investors Service, Inc. (Moody's)
Certain covenants and events of default	▪ subject to certain exceptions, several covenants restrict our ability and the ability of our Material Subsidiaries to do any of the following, among other things: – incur or assume additional debt – dispose of assets – make or pay dividends, share redemptions, or other distributions if an event of default has occurred – change our primary business – incur or assume liens on assets – enter into mergers, consolidations, or amalgamations – enter into speculative swap agreements – repay junior debt ▪ also includes customary affirmative covenants and events of default ▪ we must also comply with the following financial covenant ratios, each calculated for the most recent four consecutive fiscal quarters: – a maximum consolidated senior debt to adjusted EBITDA ratio of 2.5:1 (the consolidated senior debt to adjusted EBITDA ratio may increase to 3:1 for the first three fiscal quarters following a material acquisition that involves total consideration of more than 5% of our consolidated net tangible assets) – a minimum interest coverage ratio of 1.50:1 for the period ending March 31, 2018, 2.0:1 for the period from April 1, 2018 up to and including March 31, 2019, reverting to 2.5:1 thereafter until the maturity date of the facility ▪ no more than US$250 million in new unsecured debt can be incurred or assumed except where the new unsecured debt is used to refinance existing unsecured debt or the new unsecured debt is assumed through an acquisition

Operating Facilities

We have a $40 million secured operating facility, a US$15 million secured operating facility, and a US$30 million secured facility for letters of credit. Availability of the $40 million operating facility was reduced by outstanding letters of credit of $21 million. Availability of the US$30 million secured facility for letters of credit was reduced by outstanding letters of credit of US$13 million. No amount was drawn on the US$15 million secured operating facility with the full US$15 million remaining available for drawdown. The facilities are primarily secured by charges on substantially all of our present and future property and Material Subsidiaries. Advances under the $40 million operating facility are available at a margin over the banks' prime Canadian lending rate, United States base rate, LIBOR, or Bankers' Acceptance rate, or in combination, and under the US$15 million facility at the banks' prime lending rate. Issuance fees at agreed rates are payable on the amounts of any letters of credit outstanding under the $40 million operating facility and the US$30 million letter of credit facility.

Senior Unsecured Notes

Since 2010, we have completed six offerings of senior unsecured notes in private placements to Canadian and U.S. investors. In 2017, we completed a tender offer to repurchase all of the outstanding 2020 Notes and a portion of the outstanding 2021 Notes. The senior unsecured notes listed below remain outstanding and are denominated in U.S. dollars (all payments on the notes are made in that currency).

	2021 Notes Completed July 29, 2011 Issued under and governed by the 2021 Note Indenture	**2024 Notes** Completed June 3, 2014 Issued under and governed by the 2024 Note Indenture	**2023 Notes** Completed November 4, 2016 Issued under and governed by the 2023 Note Indenture	**2026 Notes** Completed November 22, 2017 Issued under and governed by the 2026 Note Indenture
Trustee	▪ Bank of New York Mellon (U.S. Trustee) ▪ Computershare (Canadian Trustee)	▪ Bank of New York Mellon (U.S. Trustee) ▪ Computershare (Canadian Trustee)	▪ Bank of New York Mellon (U.S. Trustee) ▪ Computershare (Canadian Trustee)	▪ Bank of New York Mellon (U.S. Trustee) ▪ Computershare (Canadian Trustee)
Principal outstanding	▪ US$249 million	▪ US$400 million	▪ US$350 million	▪ US $400 million
Interest	▪ 6.50% ▪ paid in cash semi-annually on June 15 and December 15 to holders of record on June 1 and December 1 ▪ calculated on a 360-day year of 12 30-day months	▪ 5.25% ▪ paid in cash semi-annually on May 15 and November 15 to holders of record on May 1 and November 1 ▪ calculated on a 360-day year of 12 30-day months	▪ 7.75% ▪ paid in cash semi-annually on June 15 and December 15 to holders of record on June 1 and December 1 ▪ calculated on a 360-day year of 12 30-day months	▪ 7.125% ▪ paid in cash semi-annually on January 15 and July 15 to holders of record on January 1 and July 1 ▪ calculated on a 360-day year of 12 30-day months
Maturity date	▪ December 15, 2021	▪ November 15, 2024	▪ December 15, 2023	▪ January 15, 2026
Net proceeds	▪ used to fund our capital expenditure program and for general corporate purposes	▪ used to fund our capital expenditure program and for general corporate purposes	▪ used together with cash on hand to redeem our $200 million 2019 Notes and a portion of our outstanding 2020 Notes and repurchase a portion of our outstanding 2021 Notes	▪ used together with cash on hand to repurchase and redeem the US$372 million outstanding 2020 Notes and repurchase a portion of our outstanding 2021 Notes
Interest payments	▪ began on December 15, 2011 ▪ interest accrues from the most recent date to which interest was paid	▪ began on November 15, 2014 ▪ interest accrues from the most recent date to which interest was paid	▪ began on June 15, 2017 ▪ interest accrues from the most recent date to which interest was paid	▪ begins on July 15, 2018 ▪ interest accrues from the date of issue, and after the first interest payment, from the most recent date to which interest was paid

	2021 Notes	2024 Notes	2023 Notes	2026 Notes
Redemption features	**Beginning December 15, 2016** ▪ in whole or in part at any time before December 15, 2019, at redemption prices ranging between 103.250% and 101.083% of their principal amount plus accrued interest **Beginning December 15, 2019** ▪ for their principal amount plus accrued interest	**Prior to May 15, 2019** ▪ in whole or in part at 100.0% of their principal amount, plus accrued interest and the greater of 1.0% of the principal amount of each note to be redeemed and any excess of the present value of the May 15, 2019 redemption price plus required interest payments through May 15, 2019 (calculated using a discount rate equal to the U.S. Treasury rate plus 50 basis points) over the principal amount of the note **Beginning May 15, 2019** ▪ in whole or in part at any time before May 15, 2022, at redemption prices ranging between 102.625% and 100.875% of their principal amount plus accrued interest **Beginning May 15, 2022** ▪ for their principal amount plus accrued interest	**Prior to December 15, 2019** ▪ Up to 35% of the notes with the net proceeds of certain equity offerings at a redemption price equal to 107.75% of their principal amount plus accrued interest **Prior to December 15, 2019** ▪ in whole or in part at 100.0% of their principal amount, plus accrued interest and the greater of 1.0% of the principal amount of each note to be redeemed and any excess of the present value of the December 15, 2019 redemption price plus required interest payments through December 15, 2019 (calculated using a discount rate equal to the U.S. Treasury rate plus 50 basis points) over the principal amount of the note **Beginning December 15, 2019** ▪ in whole or in part at any time before December 15, 2021, at redemption prices ranging between 103.875% and 101.938% of their principal amount plus accrued interest **Beginning December 15, 2021** ▪ for their principal amount plus accrued interest	**Prior to November 15, 2020** ▪ Up to 35% of the notes with the net proceeds of certain equity offerings at a redemption price equal to 107.125% of their principal amount plus accrued interest **Prior to November 15, 2020** ▪ in whole or in part at 100.0% of their principal amount, plus accrued interest and the greater of 1.0% of the principal amount of each note to be redeemed and any excess of the present value of the November 15, 2020 redemption price plus required interest payments through November 15, 2020 (calculated using a discount rate equal to the U.S. Treasury rate plus 50 basis points) over the principal amount of the note **Beginning November 15, 2020** ▪ in whole or in part at any time before November 15, 2022, at redemption prices ranging between 105.344% and 101.781% of their principal amount plus accrued interest **Beginning November 15, 2022** ▪ for their principal amount plus accrued interest
Change of control	▪ each holder of the notes has the right to sell all or a portion of its notes to us for cash equal to 101% of the principal amount, plus accrued interest to the date of purchase	▪ each holder of the notes has the right to sell all or a portion of its notes to us for cash equal to 101% of the principal amount, plus accrued interest to the date of purchase	▪ each holder of the notes has the right to sell all or a portion of its notes to us for cash equal to 101% of the principal amount, plus accrued interest to the date of purchase	▪ each holder of the notes has the right to sell all or a portion of its notes to us for cash equal to 101% of the principal amount, plus accrued interest to the date of purchase

Subject to certain exceptions, the four note indentures limit our ability and the ability of some of our subsidiaries to do any of the following, among other things:

- incur additional indebtedness and issue preferred shares
- create liens
- make restricted payments, including the payment of dividends
- create or permit to exist restrictions on our ability (or the ability of certain subsidiaries) to make certain payments and distributions
- engage in amalgamations, mergers or consolidations
- make certain dispositions and transfers of assets, and
- engage in transactions with affiliates.

The senior notes require that we comply with certain covenants including an incurrence based Consolidated Interest Coverage Ratio test, as defined in the senior note agreements, of 2.0:1 for the most recent four consecutive fiscal quarters. In the event that our Consolidated Interest Coverage Ratio is less than 2.0:1 for the most recent four consecutive fiscal quarters the senior notes restrict our ability to incur additional indebtedness. As at December 31, 2017, our senior notes Consolidated Interest Coverage Ratio was 2.16:1.

Each of the 2021 Notes, the 2023 Notes, the 2024 Notes and the 2026 Notes are general unsecured obligations and rank senior in right of payment to all our future obligations that are subordinate in right of payment to these notes and equal in right of payment with all our other existing and future obligations.

Shelf Registration

In August 2016, we completed the filing of a short form base shelf prospectus with the securities regulatory authorities in each of the provinces of Canada and a corresponding registration statement in the United States, for the offering of up to $1 billion of common shares, preferred shares, debt securities, warrants, subscription receipts or units (the **Securities**). The Securities may be offered from time to time during the 25-month period for which the short form base shelf prospectus remains valid.

Credit Ratings

Credit ratings affect our ability to obtain short and long-term financing, the cost of this financing, and our ability to engage in certain business activities cost-effectively. On November 8, 2017, Moody's Investors Service Inc. (**Moody's**) affirmed our corporate credit rating of B2 and senior unsecured credit rating of B3. On November 8, 2017, Standard & Poor's Financial Services LLC (**S&P**) affirmed our corporate credit rating of BB and senior unsecured credit rating of BB. On November 8, 2017, Fitch Ratings, Inc. (**Fitch**) assigned a first-time Corporate rating of Precision of B+ and also assigned a rating of BB+ to our Senior Credit Facility and a rating of BB- to our 2026 Notes.

	Moody's	S&P	Fitch
Corporate credit rating	B2	BB	B+
Senior Credit Facility rating	Not rated	Not rated	BB+
Senior unsecured credit rating (2021 Notes, 2023 Notes, 2024 Notes and 2026 Notes)	B3	BB	BB-(1)

Note:
(1) Fitch rating only applies to our 2026 Notes.

Understanding Credit Ratings	
Moody's Moody's credit rating is their opinion of our ability to honour senior unsecured financial obligations and contracts	▪ rating scale from *Aaa* (highest) to *C* (lowest quality of securities rated) ▪ Moody's rating of *B* is the sixth highest of nine categories and denotes obligations considered speculative and are subject to high credit risk ▪ a modifier of 1, 2 or 3 after a rating indicates the relative standing within a particular rating category. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, 2 indicates a mid-range ranking and 3 indicates a ranking in the lower end of the generic rating category
S&P S&P's credit rating is a forward-looking opinion about our overall financial capacity (or creditworthiness) to pay our financial obligations	▪ rating scale from *AAA* to *D*, which represents the range from highest to lowest quality ▪ a credit rating of *BB* by S&P is the fifth highest of 10 categories ▪ under the S&P rating system, an obligor with debt securities rated *BB* is less vulnerable in the near-term than other lower-rated obligors, but faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments ▪ the addition of a plus (+) or minus (-) designation after the rating indicates the relative standing within a particular rating category
Fitch Fitch's credit rating is their opinion of our relative ability to meet financial commitments, such as interest, repayment of principal, insurance claims or counterparty obligations	▪ rating scale from AAA (highest) to C (lowest quality of securities rated) ▪ Fitch's rating of B is the sixth highest of nine categories ▪ the additional of a plus (+) or minus (-) designated after the rating indirect the relative standing within a particular rating category

Credit ratings assigned by the rating agencies are not recommendations to buy, hold or sell the debt, and the ratings are not a comment on market price or suitability for a particular investor. There is no assurance that a rating will remain in effect for a given period or that any rating will not be revised or withdrawn entirely by a rating agency in the future if it believes circumstances warrant it. Credit ratings by different agencies are independent of one another and should be evaluated separately. We pay customary fees to credit rating agencies.

RISKS IN OUR BUSINESS

Investing in Precision shares presents risk. Take time to read about the risks described below and other important information in this AIF and our other disclosure documents before making an investment decision. You may also want to seek advice from an expert.

Our enterprise risk management framework operates at the business and functional levels and is designed to identify, evaluate and mitigate risks within each of the risk categories below. It leverages the risk framework in each of our businesses, which includes Precision's risk policies, guidelines and review mechanisms.

Our businesses routinely encounter and manage risks, some of which may cause our future results to be different, and sometimes materially different than what we presently anticipate. We describe certain important strategic, operational, financial, legal and compliance risks. Our response to developments in those risk areas and our reactions to material future developments will affect our future results.

Our operations depend on the price of oil and natural gas

We sell our services to oil and natural gas exploration and production companies. Macroeconomic and geopolitical factors associated with oil and natural gas supply and demand are the primary factors driving pricing and profitability in the oilfield services industry. Generally, we experience high demand for our services when commodity prices are relatively high and the opposite is true when commodity prices are low, as is currently the case. The volatility of crude oil and natural gas prices accounts for much of the cyclical nature of the oilfield services business.

The markets for oil and natural gas are separate and distinct. Oil is a global commodity with a vast distribution network, although the differential between benchmarks such as West Texas Intermediate, Western Canadian Select, and European Brent crude oil can fluctuate. As in all markets, when supply, demand, inability to access domestic or export markets and other factors change, so can the spreads between benchmarks. The most economical way to transport natural gas is in its gaseous state by pipeline, and the natural gas market depends on pipeline infrastructure and regional supply and demand. However, developments in the transportation of liquefied natural gas in ocean going tanker ships have introduced an element of globalization to the natural gas market.

Worldwide military, political and economic events, such as conflict in the Middle East, expectations for global economic growth, or initiatives by OPEC and other major petroleum exporting countries, can affect supply and demand for oil and natural gas. Weather conditions, governmental regulation (in Canada and elsewhere), levels of consumer demand, the availability and pricing of alternate sources of energy (including renewal energy initiatives), the availability of pipeline capacity, U.S. and Canadian natural gas storage levels, and other factors beyond our control can also affect the supply of and demand for oil and natural gas and lead to future price volatility.

The North American land drilling industry has been in a deep downturn for over three years, a result of lower commodity prices restricting customer spending and decreasing drilling demand. In 2017, approximately 15,800 wells were started onshore in the U.S., compared to approximately 11,200 in 2016, 20,500 in 2015 and 43,700 in 2014. In 2017, the industry drilled 6,959 wells in western Canada, compared to 3,963 in 2016, 5,241 in 2015 and 10,942 in 2014. According to industry sources, the U.S. average active land drilling rig count was up approximately 76% in 2017, compared to 2016, and the Canadian average active land drilling rig count was up approximately 58% during the same period. However, oil and natural gas prices remained volatile throughout 2017 and could continue at these relatively low levels or lower levels for the foreseeable future. Prices have been negatively affected since late 2014 by a combination of factors, including increased production, the decisions of OPEC and a strengthening in the U.S. dollar relative to most other currencies. These factors have adversely affected, and could continue to adversely affect, the prices of oil and natural gas, which would adversely affect the level of capital spending by our customers and in turn could have a material and adverse effect on our results of operations. As a result of the continued pressure on commodity prices, many of our customers have reduced spending budgets for 2018 compared to periods prior to the downturn, and further reductions in commodity prices or prices remaining at current levels for a prolonged period may result in further reductions in capital budgets in the future. Moreover, the prolonged reduction in oil and natural gas prices has depressed, and may continue to depress, and the availability and pricing of alternative sources of energy may depress, the overall level of exploration and production activity, resulting in corresponding decline in the demand for our services that has had, could continue to have and may have, as applicable, a material adverse effect on our revenue, cash flow and profitability and restrict our ability to make capital expenditures compared to periods prior to the downturn. In addition, sustained periods with oil and natural gas prices at current or lower levels could also lead to lower future revenues if these prices caused our customers to avoid re-contracting rigs currently under contract, therefore making our Senior Credit Facility financial covenants more difficult to attain.

Lower oil and natural gas prices could also cause our customers to renegotiate, terminate or fail to honour their drilling contracts with us, which could affect the anticipated revenues that support our capital expenditure program and future

contracted deliveries of new-build rigs. In addition, lower oil and natural gas prices, lower demand for oilfield services or lower rig utilization could affect the existing fair market value of our rig fleet, which in turn could trigger a write down for accounting purposes. There is no assurance that demands for our services or conditions in the oil and natural gas and oilfield services sector will not decline in the future, and a significant decline in demand could have a material adverse effect on our financial condition.

We have accounts receivable with customers in the oil and natural gas industry and their revenues may be affected by fluctuations in commodity prices. Our ability to collect receivables may be adversely affected by any prolonged weakness in oil and natural gas prices.

Intense price competition and the cyclical nature of the contract drilling industry could have an adverse effect on revenue and profitability

The contract drilling business is highly competitive with many industry participants. We compete for drilling contracts that are usually awarded based on competitive bids. We believe pricing and rig availability are the primary factors potential customers consider when selecting a drilling contractor. We believe other factors are also important, such as the drilling capabilities and condition of drilling rigs, the quality of service and experience of rig crews, the safety record of the contractor and the particular drilling rig, the offering of ancillary services, the ability to provide drilling equipment that is adaptable to and having personnel familiar with new technologies and drilling techniques, and rig mobility and efficiency.

Historically, contract drilling has been cyclical with periods of low demand, excess rig supply and low dayrates, followed by periods of high demand, short rig supply and increasing dayrates. Periods of excess drilling rig supply intensify the competition and often result in rigs being idle. There are numerous contract drilling companies in the markets where we operate, and an oversupply of drilling rigs can cause greater price competition. Contract drilling companies compete primarily on a regional basis, and the intensity of competition can vary significantly from region to region at any particular time. If demand for drilling services is better in a region where we operate, our competitors might respond by moving suitable drilling rigs in from other regions, reactivating previously stacked rigs or purchasing new drilling rigs. An influx of drilling rigs into a market from any source could rapidly intensify competition and make any improvement in the demand for our drilling rigs short-lived, which could in turn have a material adverse effect on our revenue, cash flow and earnings.

Our business results and the strength of our financial position are affected by our ability to strategically manage our capital expenditure program in a manner consistent with industry cycles and fluctuations in the demand for contract drilling services. If we do not effectively manage our capital expenditures or respond to market signals relating to the supply or demand for contract drilling and oilfield services, it could have a material adverse effect on our revenue, operations and financial condition.

New capital expenditures in the contract drilling industry expose us to the risk of oversupply of equipment

Periods of high demand often lead to higher capital expenditures on drilling rigs and other oilfield services equipment. The number of newer drilling rigs competing for work in markets where we operate has increased as the industry has added new and upgraded rigs. The industry supply of drilling rigs may exceed actual demand because of the relatively long-life span of oilfield services equipment as well as the typically long time from when a decision is made to upgrade or build new equipment to when the equipment is built and placed into service. Excess supply resulting from industry-wide capital expenditures could lead to lower demand for term drilling contracts and for our equipment and services. The additional supply of drilling rigs has intensified price competition in the past and could continue to do so. This could lead to lower rates in the oilfield services industry generally and lower utilization of existing rigs. If any of these factors materialize, it would have an adverse effect on our revenue, cash flow, earnings and asset valuation.

We require sufficient cash flows to service and repay our debt

We will need sufficient cash flows in the future to service and repay our debt. Our ability to generate cash in the future is affected to some extent by general economic, financial, competitive and other factors that may be beyond our control. If we need to borrow funds in the future to service our debt, our ability will depend on covenants in the Senior Credit Facility, the 2021 Note Indenture, the 2023 Note Indenture, the 2024 Note Indenture, the 2026 Note indenture and other debt agreements we may have in the future, and on our credit ratings. We may not be able to access sufficient amounts under the Senior Credit Facility or from the capital markets in the future to pay our obligations as they mature, or to fund other liquidity requirements. If we are not able to borrow a sufficient amount or generate enough cash flow from operations to service and repay our debt, we will need to refinance our debt or we will be in default, and we could be forced to reduce or delay investments and capital expenditures or dispose of material assets or issue equity. We may not be able to refinance or arrange alternative measures on favourable terms or at all. If we are unable to service, repay or refinance our debt, it could have a negative impact on our financial condition and results of operations.

Repaying our debt depends on our guarantor subsidiaries generating cash flow and making it available to us by dividend, debt repayment or otherwise. Our guarantor subsidiaries may not be able to, or may not be permitted to, make distributions to allow us to make payments on our debt. Each guarantor subsidiary is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from the subsidiaries. While the agreements governing certain existing debt limits the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions.

A substantial portion of our operations is carried out through subsidiaries, and some of them are not guarantors of our debt. The assets and operations of the non-guarantor subsidiaries are not material, and these subsidiaries do not have any obligation to pay amounts due on the debt or to make funds available for that purpose.

If we do not receive dividends from our guarantor subsidiaries, we may be unable to make the required principal and interest payments, which could have a material adverse effect on our financial position and results of operations.

Customers' inability to obtain credit/financing could lead to lower demand for our services

Many of our customers require reasonable access to credit facilities and debt capital markets to finance their oil and gas drilling activity. If the availability of credit to our customers is reduced, they may reduce their drilling and production expenditures, thereby decreasing demand for our products and services. A reduction in spending by our customers could adversely affect our operating results and financial condition.

Our debt facilities contain restrictive covenants

The Senior Credit Facility, the 2021 Note Indenture, the 2023 Note Indenture, the 2024 Note Indenture and the 2026 Note indenture contain a number of covenants which, among other things, restrict us and some of our subsidiaries from conducting certain activities (see *Our Capital Structure – Material Debt – Senior Unsecured Notes* on page 22). In the event Consolidated Interest Coverage Ratio (as defined in our four senior note indentures) is less than 2.0:1 for the most recent four consecutive fiscal quarters, the senior note indentures restrict our ability to incur additional indebtedness. As at December 31, 2017, our Consolidated Interest Coverage Ratio, as calculated per our senior note indentures, was 2.16:1.

In addition, we must satisfy and maintain certain financial ratio tests under the Senior Credit Facility (see *Our Capital Structure – Material Debt* on page 19). Events beyond our control could affect our ability to meet these tests in the future. If we breach any of the covenants, it could result in a default under the Senior Credit Facility or any of the note indentures. If there is a default under our Senior Credit Facility, the applicable lenders could decide to declare all amounts outstanding under the Senior Credit Facility or any of the note indentures to be due and payable immediately, and terminate any commitments to extend further credit. If there is an acceleration by the lenders and the accelerated amounts exceed a specific threshold, the applicable noteholders could decide to declare all amounts outstanding under any of the note indentures to be due and payable immediately.

At December 31, 2017, we were in compliance with the covenants of the Senior Credit Facility.

Uncertainty as to the position of the United States in respect of world affairs and events

As a result of the 2016 U.S. presidential election and the related change in political agenda, there is continued uncertainty as to the position the United States will take with respect to world affairs and events. This uncertainty may include issues such as U.S. support for existing treaty and trade relationships with other countries, including Canada. The executive branch of the U.S. government has also initiated the renegotiation of the terms of North American Free Trade Agreement (**NAFTA**). Implementation by the U.S. of new legislative or regulatory regimes, tarrifs or revisions to NAFTA could impose additional costs on us, decrease U.S. demand for our services or otherwise negatively impact us or our customers, which may have a material adverse effect on our business, financial condition and operations.

Risks and uncertainties associated with our international operations can negatively affect our business

We conduct some of our business in Mexico and the Middle East. Our growth plans contemplate establishing operations in other international regions, including countries where the political and economic systems may be less stable than in Canada or the U.S.

Our international operations are subject to risks normally associated with conducting business in foreign countries, including, but not limited to, the following:

- an uncertain political and economic environment
- the loss of revenue, property and equipment as a result of expropriation, confiscation, nationalization, contract deprivation and force majeure
- war, terrorist acts or threats, civil insurrection and geopolitical and other political risks
- fluctuations in foreign currency and exchange controls
- restrictions on the repatriation of income or capital
- increases in duties, taxes and governmental royalties
- renegotiation of contracts with governmental entities
- changes in laws and policies governing operations of companies
- compliance with anti-corruption and anti-bribery legislation in Canada, the U.S. and other countries, and
- trade restrictions or embargoes imposed by the U.S. or other countries.

If there is a dispute relating to our international operations, we may be subject to the exclusive jurisdiction of foreign courts or may not be able to subject foreign persons to the jurisdiction of a court in Canada or the U.S.

Government-owned petroleum companies located in some of the countries where we operate now or in the future may have policies, or may be subject to governmental policies, that give preference to the purchase of goods and services from

companies that are majority-owned by local nationals. As such, we may rely on joint ventures, license arrangements and other business combinations with local nationals in these countries, which may expose us to certain counterparty risks, including the failure of local nationals to meet contractual obligations or comply with local or international laws that apply to us.

In the international markets where we operate, we are subject to various laws and regulations that govern the operation and taxation of our businesses and the import and export of our equipment from country to country. There may be uncertainty about how these laws and regulations are imposed, applied or interpreted, and they could be subject to change. Since we derive a portion of our revenues from subsidiaries outside of Canada and the U.S., the subsidiaries paying dividends or making other cash payments or advances may be restricted from transferring funds in or out of the respective countries, or face exchange controls or taxes on any payments or advances. We have organized our foreign operations partly based on certain assumptions about various tax laws (including capital gains and withholding taxes), foreign currency exchange, and capital repatriation laws and other relevant laws of a variety of foreign jurisdictions. We believe these assumptions are reasonable; however, there is no assurance that foreign taxing or other authorities will reach the same conclusion. If these foreign jurisdictions change or modify the laws, we could suffer adverse tax and financial consequences.

While we have developed policies and procedures designed to achieve compliance with applicable international laws, we could be exposed to potential claims, economic sanctions or other restrictions for alleged or actual violations of international laws related to our international operations, including anti-corruption and anti-bribery legislation, trade laws and trade sanctions. The Canadian government, the U.S. Department of Justice, the Securities and Exchange Commission (**SEC**), the U.S. Office of Foreign Assets Control and similar agencies and authorities in other jurisdictions have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for such violations, including injunctive relief, disgorgement, fines, penalties and modifications to business practices and compliance programs, among other things. While we cannot accurately predict the impact of any of these factors, if any of those risks materialize, it could have a material adverse effect on our reputation, business, financial condition, results of operations and cash flow.

Our and our customer's operations are subject to numerous environmental laws, regulations and guidelines

Our operations are affected by numerous laws, regulations and guidelines relating to the protection of the environment, including those governing the management, transportation and disposal of hazardous substances and other waste materials. These include those relating to spills, releases and discharges of hazardous substances or other waste materials into the environment, requiring removal or remediation of pollutants or contaminants, and imposing civil and criminal penalties for violations. Some of these apply to our operations and authorize the recovery of natural resource damages by the government, injunctive relief, and the imposition of stop, control, remediation and abandonment orders. In addition, our land drilling operations may be conducted in or near ecologically sensitive areas, such as wetlands that are subject to special protective measures, which may expose us to additional operating costs and liabilities for noncompliance with certain laws. Some environmental laws and regulations may impose strict and, in certain cases joint and several, liability. This means that in some situations we could be exposed to liability as a result of conduct that was lawful at the time it occurred, or conditions caused by prior operators or other third parties, including any liability related to offsite treatment or disposal facilities. The costs arising from compliance with these laws, regulations and guidelines may be material.

Major projects which would benefit our customers, such as new pipelines and other facilities, may be inhibited, delayed or stopped by a variety of factors, including inability to obtain regulatory or governmental approvals or public opposition. In western Canada, delays and/or the inability to obtain necessary regulatory approvals for pipeline projects that would provide additional transportation capacity and access to refinery capacity for our customers has led to downward price pressure on oil and gas produced in western Canada which has depressed, and may continue to depress, the overall exploration and production activity of our customers, resulting in a corresponding decline in the demand for our services that could have a material adverse effect on our revenue, cash flow and profitability.

We maintain liability insurance, including insurance for certain environmental claims, but coverage is limited and some of our policies exclude coverage for damages resulting from environmental contamination. We cannot assure that insurance will continue to be available to us on commercially reasonable terms, that the possible types of liabilities that we may incur will be covered by insurance, or that the dollar amount of the liabilities will not exceed our policy limits. Even a partially uninsured claim, if successful and of sufficient magnitude, could have a material adverse effect on our business, results of operations and prospects.

Environment regulations could have a significant impact on the energy industry

The subject of energy and the environment has created intense public debate around the world in recent years. Debate is likely to continue for the foreseeable future and could potentially have a significant impact on all aspects of the economy. The trend in environmental regulation has been to impose more restrictions and limitations on activities that may impact the environment. Any regulatory changes that impose additional environmental restrictions or requirements on us, or our customers, could increase our operating costs and potentially lead to lower demand for our services and have an adverse effect on us. For example, there is growing concern about the apparent connection between the burning of fossil fuels and climate change. Laws, regulations or treaties concerning climate change or greenhouse gas emissions can have an adverse impact on the demand for oil and natural gas, which could have a material adverse effect on us.

Governments in Canada and the U.S. are also considering more stringent regulation or restriction of hydraulic fracturing, a technology used by most of our customers that involves the injection of water, sand and chemicals under pressure into rock formations to stimulate oil and natural gas production.

Increasing regulatory restrictions could have a negative impact on the exploration of unconventional energy resources, which are only commercially viable with the use of hydraulic fracturing. Laws relating to hydraulic fracturing are in various stages of development at levels of governments in markets where we operate and the outcome of these developments and their effect on the regulatory landscape and the contract drilling industry is uncertain. Hydraulic fracturing laws or regulations that cause a decrease in the completion of new oil and natural gas wells and an associated decrease in demand for our services could have a material adverse effect on our operations and financial results.

Poor safety performance could lead to lower demand for our services

Standards for accident prevention in the oil and natural gas industry are governed by service company safety policies and procedures, accepted industry safety practices, customer-specific safety requirements, and health and safety legislation. Safety is a key factor that customers consider when selecting an oilfield services company. A decline in our safety performance could result in lower demand for services, and this could have a material adverse effect on our revenue, cash flow and earnings.

We are subject to various health and safety laws, rules, legislation and guidelines which can impose material liability, increase our costs or lead to lower demand for our services.

Relying on third-party suppliers has risks

We source certain key rig components, raw materials, equipment and component parts from a variety of suppliers in Canada, the U.S. and overseas. We also outsource some or all construction services for drilling and service rigs, including new-build rigs, as part of our capital expenditure programs. We maintain relationships with several key suppliers and contractors and an inventory of key components, materials, equipment and parts. We also place advance orders for components that have long lead times. We may, however, experience cost increases, delays in delivery due to strong activity or financial hardship of suppliers or contractors, or other unforeseen circumstances relating to third parties. If our current or alternate suppliers are unable to deliver the necessary components, materials, equipment, parts and services we require for our businesses, including the construction of new-build drilling rigs, it can delay service to our customers and have a material adverse effect on our revenue, cash flow and earnings.

Acquisitions entail numerous risks and may disrupt our business or distract management

We consider and evaluate acquisitions of, or significant investments in, complementary businesses and assets as part of our business strategy. Acquisitions involve numerous risks, including unanticipated costs and liabilities, difficulty in integrating the operations and assets of the acquired business, the ability to properly access and maintain an effective internal control environment over an acquired company to comply with public reporting requirements, potential loss of key employees and customers of the acquired companies, and an increase in our expenses and working capital requirements. Any acquisition could have a material adverse effect on our operating results, financial condition or the price of our securities.

We may incur substantial debt to finance future acquisitions and also may issue equity securities or convertible securities for acquisitions. Debt service requirements could be a burden on our results of operations and financial condition. We would also be required to meet certain conditions to borrow money to fund future acquisitions. Acquisitions could also divert the attention of management and other employees from our day-to-day operations and the development of new business opportunities. Even if we are successful in integrating future acquisitions into our operations, we may not derive the benefits such as operational or administrative synergies we expect from acquisitions, which may result in us committing capital resources and not receiving the expected returns. In addition, we may not be able to continue to identify attractive acquisition opportunities or successfully acquire identified targets.

New technology could reduce demand for certain rigs or put us at a competitive disadvantage

Complex drilling programs for the exploration and development of conventional and unconventional oil and natural gas reserves demand high performance drilling rigs. The ability of drilling rig service providers to meet this demand depends on continuous improvement of existing rig technology, such as drive systems, control systems, automation, mud systems and top drives, to improve drilling efficiency. Our ability to deliver equipment and services that meet customer demand is essential to our continued success. We cannot guarantee that our rig technology will continue to meet the needs of our customers, especially as rigs age and technology advances, or that our competitors will not develop technological improvements that are more advantageous, timely, or cost effective.

Our operations face risks of interruption and casualty losses

Our operations face many hazards inherent in the drilling and well servicing industries, including blowouts, cratering, explosions, fires, loss of well control, loss of hole, reservoir damage, loss of directional control, damaged or lost equipment, and damage or loss from inclement weather or natural disasters. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage, damage to the property of others, and damage to producing or potentially productive oil and natural gas formations that we drill through.

Generally, drilling and service rig contracts separate the responsibilities of a drilling or service rig company and the customer, and we try to obtain indemnification from our customers by contract for some of these risks even though we also have insurance coverage to protect us. We cannot assure, however, that any insurance or indemnification agreements will adequately protect us against liability from all the consequences described above. If there is an event that is not fully insured or indemnified against, or a customer or insurer does not meet its indemnification or insurance obligations, it could result in substantial losses. In addition, we may not be able to get insurance to cover any or all these risks, or the coverage may not be adequate. Insurance premiums or other costs may rise significantly in the future, making the insurance prohibitively expensive or uneconomic. Significant events, including terrorist attacks in the U.S., severe hurricane damage and well blowout damage in the U.S. Gulf Coast region, have resulted in significantly higher insurance costs, deductibles and coverage restrictions. When we renew our insurance, we may decide to self-insure at higher levels and assume increased risk in order to reduce costs associated with higher insurance premiums.

Business in our industry is seasonal and highly variable

Seasonal weather patterns in Canada and the northern U.S. affect activity in the oilfield services industry. During the spring months, wet weather and the spring thaw make the ground unstable, so municipalities and counties and provincial and state transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment. This reduces activity and highlights the importance of the location of our equipment prior to the imposition of the road bans. The timing and length of road bans depend on weather conditions leading to the spring thaw and during the thawing period.

Additionally, certain oil and natural gas producing areas are located in parts of western Canada that are only accessible during the winter months because the ground surrounding or containing the drilling sites in these areas consists of terrain known as muskeg. Rigs and other necessary equipment cannot cross this terrain to reach the drilling site until the muskeg freezes. Moreover, once the rigs and other equipment have been moved to a drilling site, they may become stranded or be unable to move to another site if the muskeg thaws unexpectedly. Our business activity depends, at least in part, on the severity and duration of the winter season.

Global climate change could impact the timing and length of the spring thaw and the period in which the muskeg freezes and thaws and it could impact the severity of winter, which could adversely affect our business and operating results. We cannot; however, estimate the degree to which climate change could impact our business and operating results.

Our operations are subject to foreign exchange risk

Our U.S. and international operations have revenue, expenses, assets and liabilities denominated in currencies other than the Canadian dollar, and are mostly in U.S. dollars and currencies that are pegged to the U.S. dollar. This means that currency exchange rates can affect our income statement, balance sheet and statement of cash flow.

Translation into Canadian Dollars

When preparing our consolidated financial statements, we translate the financial statements for foreign operations that do not have a Canadian dollar functional currency into Canadian dollars. We translate assets and liabilities at exchange rates in effect at the period end date. We translate revenues and expenses using average exchange rates for the month of the transaction. We initially recognize gains or losses from these translation adjustments in other comprehensive income, and reclassify them from equity to net earnings on disposal or partial disposal of the foreign operation. Changes in currency exchange rates could materially increase or decrease our foreign currency-denominated net assets, which would increase or decrease shareholders' equity. Changes in currency exchange rates will affect the amount of revenues and expenses we record for our U.S. and international operations, which will increase or decrease our net earnings. If the Canadian dollar strengthens against the U.S. dollar, the net earnings we record in Canadian dollars from our U.S. and international operations will be lower.

Transaction exposure

We have long-term debt denominated in U.S. dollars. We have designated our U.S. dollar denominated unsecured senior notes as a hedge against the net asset position of our U.S. and foreign operations. This debt is converted at the exchange rate in effect at the period end dates with the resulting gains or losses included in the statement of comprehensive income. If the Canadian dollar strengthens against the U.S. dollar, we will incur a foreign exchange gain from the translation of this debt. Similarly, if the Canadian dollar weakens against the U.S. dollar, we will incur a foreign exchange loss from the translation of this debt. The vast majority of our international operations are transacted in U.S. dollars or U.S. dollar-pegged currencies. Transactions for our Canadian operations are primarily transacted in Canadian dollars. We occasionally purchase goods and supplies in U.S. dollars for our Canadian operations, and we maintain U.S. dollar cash in our Canadian operations.

We may be unable to access additional financing

We may need to obtain additional debt or equity financing in the future to support ongoing operations, undertake capital expenditures, repay existing or future debt (including the Senior Credit Facility, the 2021 Notes, the 2023 Notes, the 2024 Notes and the 2026 Notes), or pursue acquisitions or other business combination transactions. Volatility or uncertainty in the credit markets may increase costs associated with issuing debt or equity, and there is no assurance that we will be able to access additional financing when we need it, or on terms we find acceptable or favourable. If we are unable to obtain financing to support ongoing operations or to fund capital expenditures, acquisitions, debt repayments, or other business combination transactions, it could limit growth and may have a material adverse effect on our revenue, cash flow and profitability.

Risks associated with turnkey drilling operations could adversely affect our business
We earn some of our revenue from turnkey drilling contracts. We expect that turnkey drilling will continue to be part of our service offering; however, turnkey contracts pose substantially more risk than wells drilled on a daywork basis. Under a typical turnkey drilling contract, we agree to drill a well for a customer to a specified depth and under specified conditions for a fixed price. We typically provide technical expertise and engineering services, as well as most of the equipment required for the drilling of turnkey wells, and use subcontractors for related services. We typically do not receive progress payments and are entitled to payment by the customer only after we have met the full terms of the drilling contract. We sometimes encounter difficulties on wells and incur unanticipated costs, and not all the costs are covered by insurance. As a result, under turnkey contracts we assume most of the risks associated with drilling operations that are generally assumed by customers under a daywork contract. Operating cost overruns or operational difficulties on turnkey jobs could have a material adverse effect on our financial position and results of operations.

There are risks associated with increased capital expenditures
The timing and amount of capital expenditures we incur will directly affect the amount of cash available to us. The cost of equipment generally escalates as a result of high input costs during periods of high demand for our drilling rigs and oilfield services equipment and other factors. There is no assurance that we will be able to recover higher capital costs through rate increases to our customers.

A successful challenge by the tax authorities of expense deductions could negatively affect the value of our common shares
Taxation authorities may not agree with the classification of expenses we or our subsidiaries have claimed, or they may challenge the amount of interest expense deducted. If the taxation authorities successfully challenge our classifications or deductions, it could have an adverse effect on our return to shareholders.

Losing key management could reduce our competitiveness and prospects for future success
Our future success and growth depends partly on the expertise and experience of our key management. There is no assurance that we will be able to retain key management. Losing these individuals could have a material adverse effect on our operations and financial condition.

Our assessment of goodwill or capital assets for impairment may result in a non-cash charge against our consolidated net income
We are required to assess our goodwill balance for impairment at least annually, and our capital assets balance for impairment when certain internal and external factors indicate the need for further analysis. We calculate impairment based on management's estimates and assumptions. We may consider several factors, including any declines in our share price and market capitalization, lower future cash flow and earnings estimates, significantly reduced or depressed markets in our industry, and general economic conditions, among other things. Any impairment write-down to goodwill or capital assets would result in a non-cash charge against net earnings, and it could be material.

Our credit ratings may change
Credit ratings affect our financing costs, liquidity and operations over the long term and are intended as an independent measure of the credit quality of long-term debt. Credit ratings affect our ability to obtain short and long-term financing and the cost of this financing, and our ability to engage in certain business activities cost-effectively.

If a rating agency reduces its current rating on our debt, or downgrades us, or we experience a negative change in our ratings outlook, it could have an adverse effect on our financing costs and access to liquidity and capital.

The price of our common shares can fluctuate
Several factors can cause volatility in our share price, including increases or decreases in revenue or earnings, changes in revenue or earnings estimates by the investment community, failure to meet analysts' expectations, changes in credit ratings, and speculation in the media or investment community about our financial condition or results of operations. General market conditions and Canadian, U.S. or international economic factors and political events unrelated to our performance may also affect the price of our common shares. Investors should therefore not rely on past performance of our common shares to predict the future performance of our common shares or financial results.

Selling additional common shares could affect share value
We may issue additional common shares in the future to fund our needs or those of other entities owned directly or indirectly by us, as authorized by the Board. We do not need shareholder approval to issue additional common shares, and shareholders do not have any pre-emptive rights related to share issues (see *Our Capital Structure* on page 16).

Any difficulty in retaining, replacing, or adding personnel could adversely affect our business
Our ability to provide reliable services depends on the availability of well-trained, experienced crews to operate our field equipment. We must also balance our need to maintain a skilled workforce with cost structures that fluctuate with activity levels. We retain the most experienced employees during periods of low utilization by having them fill lower level positions on

field crews. Many of our businesses experience manpower shortages in peak operating periods, and we may experience more severe shortages if the industry adds more rigs, oilfield services companies expand and new companies enter the business.

We may not be able to find enough skilled labour to meet our needs, and this could limit growth. We may also have difficulty finding enough skilled and unskilled labour in the future if demand for our services increases. Shortages of qualified personnel have occurred in the past during periods of high demand. The demand for qualified rig personnel generally increases with stronger demand for land drilling services and as new and refurbished rigs are brought into service. Increased demand typically leads to higher wages that may or may not be reflected in any increases in service rates.

Other factors can also affect our ability to find enough workers to meet our needs. Our business requires skilled workers who can perform physically demanding work. Volatility in oil and natural gas activity and the demanding nature of the work, however, may prompt workers to pursue other kinds of jobs that offer a more desirable work environment and wages competitive to ours. Our success depends on our ability to continue to employ and retain skilled technical personnel and qualified rig personnel. If we are unable to, it could have a material adverse effect on our operations.

Our business is subject to cybersecurity risks.

Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow. Cybersecurity attacks could include, but are not limited to, malicious software, attempts to gain unauthorized access to data and the unauthorized release, corruption or loss of data and personal information, account takeovers, and other electronic security breaches that could lead to disruptions in our critical systems. Risks associated with these attacks include, among other things, loss of intellectual property, disruption of our and our customers' business operations and safety procedures, loss or damage to our data delivery systems, unauthorized disclosure of personal information and increased costs to prevent, respond to or mitigate cybersecurity events. Although we use various procedures and controls to mitigate our exposure to such risk, cybersecurity attacks are evolving and unpredictable. The occurrence of such an attack could go unnoticed for a period of time. Any such attack could have a material adverse effect on our business, financial condition and results of operations.

As a foreign private issuer in the U.S., we may file less information with the SEC than a company incorporated in the U.S.

As a *foreign private issuer*, we are exempt from certain rules under the United States Exchange Act of 1934 (the **Exchange Act**) that impose disclosure requirements, as well as procedural requirements, for proxy solicitations under Section 14 of the Exchange Act. Our directors, officers and principal shareholders are also exempt from the reporting and *short-swing* profit recovery provisions of Section 16 of the Exchange Act. We are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, nor are we generally required to comply with Regulation FD, which restricts the selective disclosure of material non-public information. As a result, there may be less publicly available information about us than U.S. public companies and this information may not be provided as promptly. In addition, we are permitted, under a multi-jurisdictional disclosure system adopted by the U.S. and Canada, to prepare our disclosure documents in accordance with Canadian disclosure requirements, including preparing our financial statements in accordance with International Financial Reporting Standards (**IFRS**), which differs in some respects from U.S. GAAP. We are required to assess our *foreign private issuer* status under U.S. securities laws annually at the end of the second quarter. If we were to lose our status as a *foreign private issuer* under U.S. securities laws, we would be required to fully comply with U.S. securities and accounting requirements.

We have retained liabilities from prior reorganizations

We have retained all liabilities of our predecessor companies, including liabilities relating to corporate and income tax matters.

We may become a passive foreign investment company, which could result in adverse U.S. tax consequences to U.S. investors

Management does not believe that we are or will be treated as a passive foreign investment company (**PFIC**) for U.S. tax purposes. However, because PFIC status is determined annually and will depend on the composition of our income and assets from time to time, it is possible that we could be considered a PFIC in the future. This could result in adverse U.S. tax consequences to a U.S. investor. In particular, a U.S. investor would be subject to U.S. federal income tax at ordinary income rates, plus a possible interest charge, for any gain derived from a disposition of common shares, as well as certain distributions by us. In addition, a step-up in the tax basis of our common shares would not be available if an individual holder dies.

An investor who acquires 10% or more of our common shares may be subject to taxation under the controlled foreign corporation (**CFC**) rules.

Under certain circumstances, a U.S. person who directly or indirectly owns 10% or more of the voting power of a foreign corporation that is a CFC (generally, a foreign corporation where 10% of the U.S. shareholders own more than 50% of the voting power or value of the stock of the foreign corporation) for 30 straight days or more during a taxable year and who holds any shares of the foreign corporation on the last day of the corporation's tax year must include in gross income for U.S. federal income tax purposes its pro rata share of certain income of the CFC even if the share is not distributed to the person. We are not currently a CFC, but this could change in the future.

MATERIAL INTERESTS, EXPERTS AND MATERIAL CONTRACTS

Material Interests

None of our directors, executive officers, or any shareholder who beneficially owns, controls or directs, directly or indirectly, more than 10% of our outstanding common shares, or any of their known associates or affiliates, have had a direct or indirect material interest in any transaction affecting us in the three most recently completed financial years or in 2018 to the date of this AIF, or in any proposed transaction that has had or is reasonably expected to have a material effect on Precision.

Interests of Experts

KPMG LLP (**KPMG**) are the auditors of Precision. KPMG has confirmed that they are independent from Precision within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that they are independent accountants with respect to Precision under all relevant U.S. professional and regulatory standards.

Material Contracts

Other than contracts we entered into in the ordinary course of business, we had six material contracts in effect at the end of 2017:

- Senior Credit Facility Agreement and amendments
- 2021 Note Indenture
- 2023 Note Indenture
- 2024 Note Indenture
- 2026 Note Indenture
- Shareholder Rights Plan Agreement.

For details of our Senior Credit Facility Agreement and amendments thereto and each of the Note Indentures, see *Our Capital Structure – Material Debt* on page 19. For details of our Shareholder Rights Plan Agreement, see *Our Capital Structure – Common Shares – Shareholder Rights Plan* on page 17. We filed copies of these contracts on SEDAR and on EDGAR.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We are not a party to, and our properties are not the subject of, any material legal proceedings. We are also not aware of any potential material legal proceedings. We have not entered into any settlement agreements or been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

GOVERNANCE

Board of Directors

Our by-laws provide that the Board has full, absolute and exclusive power, control, authority and discretion to manage Precision's business and affairs, subject to the rights of our shareholders.

Directors are elected at each annual meeting of shareholders for a one-year term or, subject to our constating documents and applicable laws, appointed by the Board to hold office until the next annual meeting.

The table below provides information about each director, including his or her name, place of residence, current position with Precision and principal occupation during the last five years.

Name and Place of Residence	Position Held with Precision	Principal Occupation During the Last Five Years	Director Since
Michael R. Culbert Calgary, Alberta Canada	Director Member, Audit Committee Member, Human Resources and Compensation Committee	Currently a corporate director. Previously President and CEO of Progress Energy Canada Ltd.	December 2017
William T. Donovan North Palm Beach, Florida United States	Director Member, Audit Committee Member, Corporate Governance, Nominating and Risk Committee (chair since May 2012)	Currently a private equity investor and corporate director. Previously Chairman of the Board of Rockland Industrial Holdings, LLC from April 2006 until December 2013.	December 2008
Brian J. Gibson, ICD.D Mississauga, Ontario Canada	Director Member, Audit Committee Member, Corporate Governance, Nominating and Risk Committee	Currently Chief Executive Officer and Chief Investment Officer of TAVANI Relationship Investors Inc., an investment management firm, since August 2015. Previously Senior Vice President, Public Equities and Hedge Funds of AIMCo from December 2008 until his retirement in May 2012.	May 2011
Allen R. Hagerman, FCA, ICD.D Millarville, Alberta Canada	Director Member, Audit Committee (chair since May 2012) Member, Human Resources and Compensation Committee	Currently a private investor and corporate director. Previously Executive Vice President of Canadian Oil Sands Limited from May 2008 until his retirement in December 2014.	December 2006
Catherine J. Hughes, ICD.D Calgary, Alberta Canada	Director Member, Audit Committee Member, Human Resources and Compensation Committee	Currently a corporate director. Previously with Nexen Inc., where she served as Vice President, Operational Services, Technology and Human Resources from December 2009 until November 2011, and as Executive Vice President, International from December 2011 until her retirement in April 2013.	May 2013
Stephen J.J. Letwin Toronto, Ontario, Canada	Director Member, Corporate Governance, Nominating and Risk Committee Member, Human Resources and Compensation Committee	Currently President and Chief Executive Officer and a director of IAMGOLD Corporation since November 2010. Previously a senior executive with Enbridge Inc. from 1999 until 2010, including Executive Vice President of Gas Transportation & International.	December 2006
Susan M. MacKenzie, ICD.D Calgary, Alberta Canada	Director Member, Corporate Governance, Nominating and Risk Committee Member, Human Resources and Compensation Committee Also attends management committee known as the Safety Council	Currently a corporate director. Previously Chief Operating Officer at Oilsands Quest Inc. in 2010 and as Vice President Human Resources and Vice President In Situ Development and Operations at Petro-Canada where she was employed for twelve years.	September 2017

Kevin O. Meyers, Ph.D. Anchorage, Alaska United States	Director Member, Corporate Governance, Nominating and Risk Committee Member, Human Resources and Compensation Committee (chair since May 2012) Also attends management committee known as the Safety Council	Currently an independent energy consultant and corporate director. Previously a senior executive of ConocoPhillips for the 10 years prior to his retirement in 2010, most recently as Senior Vice President Exploration and Production, Americas.	September 2011
Kevin A. Neveu Houston, Texas United States	President and Chief Executive Officer and Director	Currently President and Chief Executive Officer and a director of Precision.	August 2007
Steven W. Krablin Spring, Texas United States	Chairman of the Board since May 2017 Member, Audit Committee	Currently a private investor and corporate director. Previously served as President, Chief Executive Officer and Chairman of the Board of T-3 Energy Services Inc., an oilfield services company, from March 2009 until the sale of the company in January 2011.	May 2015

Other Important Information About the Directors

No director or executive officer is or has been a director, chief executive officer, or chief financial officer of any company in the last 10 years that during their term or after leaving the role if the triggering event occurred during their term was:

- the subject of a cease trade order (or similar order) or
- denied access to any exemption under securities legislation (for more than 30 consecutive days).

In addition, except as set out below, no director or executive officer, nor any shareholder holding a sufficient number of Precision shares to materially affect control of Precision, is or has been:

- personally, or a director or executive officer of a company in the last 10 years that, during their term or within a year of leaving the role:
  - became bankrupt
  - made a proposal under any bankruptcy or insolvency laws
  - was subject to or instituted any proceedings, arrangement or compromise with creditors, or
  - had a receiver, receiver manager or trustee appointed to hold its assets
- personally:
  - subject to penalties or sanctions imposed by a court related to Canadian securities legislation or a Canadian securities regulatory authority
  - party to a settlement with a Canadian securities regulatory authority, or
  - subject to any other penalties or sanctions imposed by a court or regulatory body that a reasonable investor would consider important.

Kevin A. Neveu served on the board of Bonanza Creek Energy Inc. (**Bonanza Creek**). On January 4, 2017, Bonanza Creek Energy, Inc. and certain subsidiaries filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court for the District of Delaware to pursue a plan of reorganization. On April 28, 2017, Bonanza Creek emerged from bankruptcy proceedings and appointed a new board of directors. Mr. Neveu no longer sits on the board of Bonanza Creek.

Steven W. Krablin served on the board of Penn Virginia Corporation (**Penn Virginia**). On May 12, 2016, Penn Virginia filed voluntary petition under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court for the Eastern District of Virginia to pursue a plan of reorganization. On September 12, 2016, Penn Virginia emerged from bankruptcy proceedings and appointed a new board of directors. Mr. Krablin no longer sits on the board of Penn Virginia.

From time to time, directors will face potential conflicts of interest related to our business. Some directors may hold management or director positions with customers or with other oilfield services providers that may be in direct competition with us. Some may also be involved with entities that may, from time to time, provide financing or make equity investments in companies that compete with us. Any conflicts are subject to the procedures and remedies set out under the *Business Corporations Act* (Alberta). If directors find themselves in a conflict of interest, they will advise the Chair of the Board and abstain from participating in any discussions and voting on the matter, or excuse themselves from the meeting.

Audit Committee

The Audit Committee currently has six members, and all are independent directors:

- Allen R. Hagerman (chair), Michael R. Culbert, William T. Donovan, Brian J. Gibson, Catherine J. Hughes, Steven W. Krablin

The Audit Committee is a standing committee appointed by the Board to assist it in fulfilling its oversight responsibilities with respect to financial reporting, internal control systems and the external auditors.

Each member of the Audit Committee must be independent and financially literate to meet regulatory requirements in Canada, the U.S. and the NYSE corporate governance standards. The Board looks at the director's ability to read and understand the financial statements of a business similar in complexity to Precision to determine whether a director is financially literate. The Board has determined that each member of the Audit Committee is independent and financially literate within the meaning of National Instrument 52-110 and the corporate governance standards of the NYSE.

Mr. Culbert, Mr. Donovan, Mr. Gibson, Mr. Hagerman and Mr. Krablin are all considered audit committee financial experts under SEC rules. They meet the requirements because of their training and experience.

Relevant Education and Experience

Each Audit Committee member has general business experience and education relevant to performing their responsibilities as a member of the committee:

- Allen R. Hagerman (chair) is a private investor and corporate director and has over 30 years of experience in the financial management of companies across the energy and mining industries. He was Executive Vice President, Canadian Oil Sands Limited from May 2008 until December 2014 and was Chief Financial Officer of Canadian Oil Sands Limited from 2003 until 2007. He currently serves on the audit committee of another public company and has prior audit committee experience. Mr. Hagerman received a B.Comm. from the University of Alberta in 1973. He has a Chartered Professional Accountant designation and an FCA designation from the Institute of Chartered Accountants of Alberta and a Corporate Finance Qualification (**CF**) from the Canadian Institute of Chartered Accountants. Mr. Hagerman also received an MBA from the Harvard Business School in 1977 and the ICD.D designation from the Institute of Corporate Directors. Mr. Hagerman was appointed to the Audit Committee in May 2007.

- Michael R. Culbert is a corporate director and has over 23 years of experience as a senior executive in the energy sector. He is Vice Chairman of Progress Energy Canada Ltd. (**PECL**), a wholly owned subsidiary of PETRONAS, Malaysia's integrated energy corporation. He was previously President and CEO of PECL and President of Pacific NorthWest LNG and Vice President of Marketing and Business Development at Encal Energy Ltd. He currently serves on the audit committee of another public company. Mr. Culbert has a Bachelor of Science degree in Business Administration from Emmanuel College. Mr. Culbert was appointed to the Audit Committee in December 2017.

- William T. Donovan is a private equity investor, a director of several private companies and currently serves on the audit committee of another public company. He was Chairman of the Board of Rockland Industrial Holdings, LLC of Milwaukee, Wisconsin from April 2006 until December 2013. He was a director of Grey Wolf, Inc. from 1997 until it was acquired by Precision Drilling Trust in December 2008. He was the Chief Executive Officer of Total Logistics, Inc. prior to February 2005, and President and Chief Financial Officer of Christina Companies, Inc. prior to February 1999. Mr. Donovan has a B.Sc. degree (1974) and an MBA (1976) from the University of Notre Dame. Mr. Donovan was appointed to the Audit Committee in December 2008.

- Brian J. Gibson is currently the Chief Executive Officer and Chief Investment Officer of TAVANI Relationship Investors Inc. and has previously served on the audit committee of several other public companies. He was the Senior Vice President, Public Equities and Hedge Funds of AIMCo from December 2008 until his retirement in May 2012. He served as President of Panoply Capital Asset Management Inc., a private investment firm, from January until December 2008, and was the Senior Vice President, Public Equities of the Ontario Teachers' Pension Plan from August 1992 until January 2008. He has extensive experience in the analysis of public company financial statements and control standards. Mr. Gibson received a B.Comm. from Laurentian University and an MBA from the University of Toronto and is a Chartered Financial Analyst. He also received the ICD.D designation from the Institute of Corporate Directors. Since 2012, he has been a member of the Corporate Disclosure Policy Committee of the CFA Institute, which provides regulators with input and suggestions on potential changes in accounting standards and disclosures. Mr. Gibson was appointed to the Audit Committee in July 2012.

- Catherine J. Hughes is an independent business person and corporate director with over 27 years of experience in the oil and gas industry. She currently serves on the board of an engineering and construction firm and an exploration and production company. She was Executive Vice President, International of Nexen Inc. from December 2011 until her retirement from the company in April 2013. Ms. Hughes is a Professional Engineer, as designated by the Association of Professional Engineers and Geoscientists of Alberta (**APEGA**). She received a B.Sc in electrical engineering from the Institut National des Sciences Appliquees de Lyon, France. She also received the ICD.D designation from the Institute of Corporate Directors. She was appointed to the Audit Committee in July 2016.

- Steven W. Krablin is a private investor and corporate director and has over 30 years of experience as a corporate executive in the energy industry. He current serves on several other public and private audit committees in the energy industry. He was President, Chief Executive Officer and Chairman of the Board of T-3 Energy Services, Inc. from March 2009 until the sale of the company in January 2011. He also served as Chief Financial Officer of National Oilwell, Inc. and Enterra Corporation. Mr. Krablin received a BSBA (Accounting major) degree from the University of Arkansas and is a retired certified public accountant (**CPA**). Mr. Krablin was appointed to the Audit Committee in May 2015.

Pre-Approval Policies and Procedures

Under the committee charter, the Audit Committee recommends the external auditors' terms of engagement and their fees to the Board for approval. It must also review and pre-approve all permitted non-audit services that will be provided by the auditors, or any of its affiliated entities, to us or any of our affiliates, subject to minimum approval level exceptions under applicable law.

In 2003, the committee implemented specific procedures for pre-approving services to be performed by the external auditors and specified certain services that the auditors are prohibited from performing. Management, together with the external auditors, must prepare a list of the proposed services for the coming year and submit it to the committee for its review and approval. If the list includes services that have not been pre-approved by the committee, the chair of the Audit Committee or other designated member has the authority to pre-approve the services, as long as they are presented to the full committee for ratification at the next scheduled meeting. The Audit Committee receives an update on the status of any pre-approved services at each regularly scheduled meeting.

Since these procedures were implemented, 100% of each of the services provided by the external auditors relating to the fees reported as audit, audit-related, tax and all other fees have been pre-approved by the Audit Committee or a designated member.

See *Appendix* on page 41, for the full text of our Audit Committee Charter.

Audit Fees

The table below shows the fees billed to us and our affiliates for professional services provided by KPMG LLP, our external auditors, in fiscal 2017 and 2016:

Years ended December 31		**2017**		**2016**
Audit fees for professional audit services	**$**	**1,551,000**	$	1,563,000
Audit-related fees for assurance and other services that relate to the performance of the audit or review of our financial statements and are not reported as audit fees		**—**		—
Tax fees for tax advisory, tax compliance and tax planning services, including assistance with preparing Canadian federal and provincial income tax returns and international tax advisory services		**247,000**		483,000
All other fees for products and services other than those disclosed above		**—**		—
Total	**$**	**1,798,000**	$	2,046,000

Executive Officers

The table below provides information about each executive officer, including his or her name, place of residence, current positions and offices with Precision, and principal occupation during the last five years:

Name and Place of Residence	Current Position with Precision and Positions Held During the Last Five Years
Kevin A. Neveu Houston, Texas, United States	President and Chief Executive Officer since January 2007
Douglas B. Evasiuk Houston, Texas, United States	Senior Vice President, Sales and Marketing – North America since February 2012 Vice President, Sales and Marketing – North America from February 2011 until February 2012
Veronica H. Foley Houston, Texas, United States	Senior Vice President, General Counsel and Corporate Secretary since May 2016 Vice President, Legal and Corporate Secretary from January 2015 to May 2016 Associate General Counsel, Americas, from April 2012 to January 2015
Carey T. Ford Houston, Texas, United States	Senior Vice President and Chief Financial Officer since May 2016 Interim Chief Financial Officer from March 2016 to May 2016 Senior Vice President, Operations Finance from April 2015 to March 2016 Vice President, Finance & Investor Relations from May 2011 to March 2015
Darren J. Ruhr Calgary, Alberta, Canada	Senior Vice President of Corporate Services since March 2012
Gene C. Stahl Houston, Texas, United States	President, Drilling Operations since 2008 Assumed responsibilities for Precision's global drilling operations in January 2017

As at December 31, 2017, our directors and executive officers as a group beneficially owned, or controlled or directed, directly or indirectly, 1,269,104 common shares (approximately 0.4% of our issued and outstanding common shares).

OTHER INFORMATION

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, including our principal executive officer and our principal financial and accounting officer, evaluated the effectiveness of our *disclosure controls and procedures* (defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of December 31, 2017.

Based on that evaluation, our principal executive officer and principal financial and accounting officer have concluded that our disclosure controls and procedures as of December 31, 2017, are effective in ensuring that information we are required to disclose in reports that we file or submit under the Exchange Act is:

- recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and
- accumulated and communicated to management, including the principal executive officer and principal financial and accounting officer, so they make timely decisions about the required disclosure.

While our principal executive officer and principal financial and accounting officer believe that our disclosure controls and procedures are effective and provide a reasonable level of assurance, they do not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system can provide only reasonable, not absolute, assurance that the objectives of the system are met regardless of how well it was designed or functioning.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, which is designed to provide reasonable assurance about the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS.

Management, including our principal executive officer and principal financial and accounting officer, supervised and participated in an evaluation of the design and effectiveness of our internal control over financial reporting as of the end of 2017. The evaluation was based on *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (**COSO 2013**). Based on this evaluation, management concluded that we maintained effective control over our financial reporting as of December 31, 2017.

There were no changes in our internal control over financial reporting in 2017 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Management's Discussion and Analysis

Management's discussion and analysis of our financial condition and results of operation (**MD&A**) relating to our consolidated financial statements for the fiscal year ended December 31, 2017, forms part of our 2017 annual report and is incorporated by reference in this AIF. The MD&A appears on pages 2 to 50 of our 2017 annual report.

Transfer Agent and Registrar

Computershare, located in Calgary, Alberta, is the transfer agent and registrar of our common shares. In the U.S., our co-transfer agent is Computershare Trust Company NA located in Canton, Massachusetts.

Additional Information About Precision

Additional information about Precision is available on our website and on SEDAR. Copies are also available from us free of charge by contacting our Corporate Secretary:

Precision Drilling Corporation	Email:	corporatesecretary@precisiondrilling.com
800, 525 – 8th Avenue SW	Phone:	403.716.4500
Calgary, Alberta, Canada T2P 1G1	Fax:	403.264.0251

You can find additional information about Precision in the following documents:

- our management information circular (including information about director and officer compensation and indebtedness and shares authorized for issuance under Precision's equity compensation plans) for the most recent annual meeting of shareholders, which was held on May 17, 2017
- our 2017 annual report containing our annual consolidated financial statements and MD&A for the year ended December 31, 2017.

Appendix

AUDIT COMMITTEE CHARTER

Purpose

The purpose of this document is to establish the terms of reference of the Audit Committee (the "Committee") of Precision Drilling Corporation (the "Corporation"). The Committee is a permanent committee of the Board of Directors of the Corporation (the "Board" or the "Board of Directors") appointed to assist the Board of Directors in fulfilling its oversight responsibilities with respect to financial reporting by the Corporation. Responsibility for accounting for transactions and internal control over financial reporting lies with senior management ("Management") of the Corporation.

The requirement to have an audit committee is established in Section 171 of the Business Corporations Act (Alberta) and, in addition, is required pursuant to National Instrument 52-110 – *Audit Committees*, as adopted by the Canadian Securities Administrators and the United States Securities Exchange Act of 1934 (the "Exchange Act"), as amended for issuers listed on the New York Stock Exchange (the "NYSE").

The Committee shall assist the Board of Directors in fulfilling its oversight responsibilities with respect to:

- the integrity of financial reporting to the shareholders of the Corporation (the "Shareholders") and to the Corporation's other stakeholders including investors, customers, suppliers and employees;
- the integrity of the accounting and financial reporting process and system of controls, including the internal and external audit processes;
- the Corporation's compliance with legal and regulatory requirements as they relate to financial reporting matters;
- the external auditor's qualifications and independence;
- the reporting protocol and independence of the internal auditor of the Corporation ("Audit Services");
- the work and performance of the Corporation's financial management, Audit Services' function and its external auditor; and
- any other matter specifically delegated to the Committee by the Board of Directors or mandated under applicable laws, rules and regulations as well as the listing standards of the Toronto Stock Exchange (the "TSX") and the NYSE.

The Committee shall assist the Board of Directors in fulfilling its oversight responsibilities with respect to:

- the integrity of financial reporting to the shareholders of the Corporation (the "Shareholders") and to the Corporation's other stakeholders including investors, customers, suppliers and employees;
- the integrity of the accounting and financial reporting process and system of controls, including the internal and external audit processes;
- the Corporation's compliance with legal and regulatory requirements as they relate to financial reporting matters;
- the external auditor's qualifications and independence;
- the reporting protocol and independence of the internal auditor of the Corporation ("Audit Services");
- the work and performance of the Corporation's financial management, Audit Services' function and its external auditor; and
- any other matter specifically delegated to the Committee by the Board of Directors or mandated under applicable laws, rules and regulations as well as the listing standards of the Toronto Stock Exchange (the "TSX") and the NYSE.

Committee Responsibilities

The Committee shall:

Annual and Quarterly Financial Statements

- review and discuss with Management and the external auditor the annual and interim financial statements of the Corporation and related notes and management's discussion and analysis and make recommendations to the Board of Directors for their approval;
- ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures;
- review and oversee the work of the external auditor for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between Management and the external auditor regarding financial reporting;

- review and discuss with Management and the external auditor, as applicable:
  - all critical accounting policies and practices to be used in the annual audit;
  - major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;
  - analyses prepared by Management or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative International Financial Reporting Standards ("IFRS") methods on the financial statements of the Corporation and any other opinions sought by Management from an independent or other audit firm or advisor with respect to the accounting treatment of a particular item;
  - any problems, difficulties or differences encountered in the course of the audit work or restrictions on the scope of the external auditor's activities or on access to requested information and Management's response thereto;
  - the effect of regulatory and accounting initiatives on the financial statements of the Corporation and other financial disclosures;
  - any reserves, accruals, provisions or estimates that may have a significant effect upon the financial statements of the Corporation; and
  - the use of any "pro forma" or "adjusted" information not in accordance with IFRS;
- discuss with Management and the external auditor any accounting adjustments that were noted or proposed by the external auditor or Audit Services but were not adopted (as immaterial or otherwise), and Management or internal control letters issued, or proposed to be issued by the Corporation's external auditor and Management's response to such letters;
- review other financial information included in the Corporation's Annual Report to ensure that it is consistent with the Board of Directors' knowledge of the affairs of the Corporation and is unbiased and non-selective;
- upon the Committee's request, receive from the Chief Executive Officer and Chief Financial Officer of the Corporation a certificate certifying in respect of each annual and interim report of the Corporation the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws and receive and review disclosures made by such officers regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving Management or persons who have a significant role in the Corporation's internal controls; and
- cause to be prepared any report required by law, regulations or stock exchange requirements to be included in the Corporation's annual and quarterly reports.

Other Financial Filings and Public Documents

- review and recommend to the Board types of financial information of the Corporation, including any "pro forma", "adjusted" or non-IFRS financial information and earnings guidance, contained in any filings with the securities regulators or news releases related thereto (or provided to analysts or rating agencies). Consideration should be given as to whether the information is consistent with the information contained in the financial statements of the Corporation or any subsidiary with publicly-listed securities. Such review and discussion should occur before public disclosure and may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).

Duties Related to Capital Expenditures

- review and recommend to the Board of Directors requests from Management for (a) any additional unbudgeted capital and (b) any replenishment of the Chief Executive Officer's and/or Chairman of the Board's capital approval authority under the Corporation's Corporate Policy No. 2 – Authority Levels; and
- receive and review Authorizations for Expenditures from Management for material capital expenditures on a "Notice of Allocation" basis.

Internal Control Environment

- ensure that Management, in conjunction with the external auditor and Audit Services, provides to the Committee an annual assessment on the Corporation's control environment as it pertains to the Corporation's financial reporting process and controls;
- in coordination with the Corporate Governance, Nominating and Risk Committee's oversight of risk, review annually (or as necessary) significant risks or exposures and assess the steps Management has taken to monitor, control, report and mitigate such risks to the Corporation, including the Corporation's risk assessment and risk management policies such as use of financial derivatives and hedging activities;
- review significant findings prepared by the external auditor and Audit Services together with Management's responses;
- review, in consultation with Audit Services and the external auditor, the audit plans of Audit Services and the external auditor and enquire as to the extent the planned scope can be relied upon to detect weaknesses in internal controls, fraud, or other illegal acts. The Committee will assess the coordination of audit efforts to assure completeness of

coverage and the effective use of audit resources. Any significant recommendations made by the auditor for the strengthening of internal controls shall be reviewed and discussed with Management;
- review annually the administrative reporting protocol for the head of Audit Services;
- review annually the performance and compensation of Audit Services;
- review and approve the annual Audit Services' internal audit plan and all major changes to the plan, the internal auditing budget and staffing;
- review the following issues with Management and the head of Audit Services:
  - significant findings of the Audit Services group as well as Management's response to them;
  - any difficulties encountered in the course of their internal audits, including any restrictions on the scope of their work or access to required information; and
  - compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing;
- review and annually approve the Audit Services Charter;
- approve the appointment, replacement or dismissal of the head of the Audit Services;
- direct the head of Audit Services to review any specific areas the Committee deems necessary; and
- confirm and assure, annually, the independence of Audit Services and the external auditor.

External Auditor
- recommend to the Board of Directors the appointment/reappointment of the external auditor;
- review with the external auditor and Management the general audit approach and scope of proposed audits of the financial statements of the Corporation, the objectives, staffing, locations, co-ordination and reliance upon Management in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits;
- review the terms of the external auditor's engagement letter and recommend to the Board of Directors the compensation to be paid by the Corporation to the external auditor;
- review the reasons for any proposed change in the external auditor and any other significant issues related to the change, including the response of the incumbent external auditor, and enquire as to the qualifications of the proposed external auditor before making its recommendations to the Board of Directors;
- be directly responsible for the retention of (including termination) and oversight of the work of any auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between Management or Audit Services and the auditor regarding financial reporting or the application of any accounting principles or practices;
- require the external auditor and Audit Services to report directly to the Committee;
- provide the external auditor with notice of every meeting of the Committee and, at the expense of the Corporation, the opportunity to attend and be heard thereat, and if so requested by a member of the Committee, require the external auditor to attend every meeting of the Committee held during the term of the office of the external auditor;
- approve all auditing services to be provided by the external auditor and non-audit services to be performed for the Corporation or any affiliated entities by the external auditor or any of their affiliates subject to any de minimus exception allowed by applicable law. The Committee may delegate to one or more designated independent members of the Committee the authority to pre-approve non-audit services, provided that any audit or non-audit services that have been pre-approved by any such delegate of the Committee must be presented to the Committee for ratification at its first scheduled meeting following such pre-approval;
- review and approve the disclosure with respect to audit and non-audit services provided by the external auditor;
- review with the external auditor and Management the general audit approach and scope of proposed audits of the financial statements of the Corporation, the objectives, staffing, locations, co-ordination and reliance upon Management in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits;
- discuss with the external auditor, without Management being present, (a) the external auditor's judgment about the quality, integrity and appropriateness of the Corporation's accounting principles and financial disclosure practices as applied in its financial reporting and (b) the completeness and accuracy of the Corporation's financial statements;
- annually request and review a report from the external auditor regarding (a) the external auditor's internal quality control procedures, (b) any material issues raised by the most recent internal quality control review, Canadian Public Accountability Board or Public Company Accounting Oversight Board or other available peer review of the external auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;
- review and confirm the independence of the external auditor, including all relationships between the external auditor and the Corporation;
- evaluate the qualifications and performance of the external auditor;
- review and approve hiring policies regarding partners, employees and former partners and employees of the present and former external auditor;

- ensure that the lead audit partner of the external auditor and the audit partner responsible for reviewing the audit are rotated at least every five years as required by the Sarbanes-Oxley Act of 2002 and Regulation S-X, and further consider rotation of the external auditor firm itself; and
- review the results of the annual external audit, including the auditors' report to the Shareholders and any other reports prepared by the external auditor and the informal reporting from the external auditor on accounting systems and internal controls, including Management's response.

Other Review Items

- review any legal regulatory or compliance matter, claim or contingency that could have a significant impact on the financial statements of the Corporation, the Corporation's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Corporation's financial statements;
- review the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Corporation's operations;
- establish and periodically review procedures for (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters or other matters that could negatively affect the Corporation, such as violations of the Corporation's Code of Business Conduct and Ethics;
- review with Management, Audit Services and the external auditor any significant complaints received related to disclosure, financial controls, fraud or other matters; and
- oversee Management's process to ensure its disclosure regarding forward looking information is appropriate and thorough.

Committee Governance

- annually establish a set of objectives for the Committee for the respective calendar year, with the status of such objectives to be reviewed and evaluated by the Committee on a quarterly basis;
- meet in an in-camera session regularly with the external auditor, the head of Audit Services, members of Management and as a Committee alone;
- meet in separate non-Management, closed sessions with any other internal personnel or outside advisors, as necessary or appropriate; and
- review annually its own performance.

In addition to the foregoing items, the Committee shall have such other powers and duties as may from time to time by resolution be assigned to it by the Board of Directors.

Limitation of Committee's Role

While the Committee has the responsibilities and powers set forth in its Charter, it is not the duty of the Committee to prepare financial statements, plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with IFRS and applicable rules and regulations. These are the responsibilities of Management and the external auditor.

The Committee, the Chair of the Committee and any Committee members identified as having accounting or related financial expertise are members of the Board of Directors, appointed to the Committee to provide broad oversight of the financial, risk and control-related activities of the Corporation, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities.

Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liabilities that are greater than the duties, obligations and liabilities imposed on such person as a member of the Committee and Board of Directors in the absence of such designation. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Corporation's financial information or public disclosure.

Committee Structure and Authority

(a) Composition

The Committee shall consist of not less than three directors as determined by the Board of Directors, at least 25 percent of whom must be resident Canadians and all of whom shall qualify as independent directors pursuant to (i) National Instrument 52-110 *Audit Committees* (as implemented by the Canadian Securities Administrators and as amended from time to time) ("NI 52-110"); (ii) Section 303A.02 of the NYSE Listed Company Manual; (iii) Rule 10A-3 under the Exchange Act; and (iv) any

additional requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the shares of the Corporation are listed for trading.

All members of the Committee shall be financially literate, as defined in NI 52-110, and at least one member shall have "accounting or related financial management expertise". In particular, at least one member shall have: (i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions; (ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions; (iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or (iv) other relevant experience:

- an understanding of generally accepted accounting principles and financial statements;
- the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and provisions;
- expertise preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities;
- an understanding of internal controls and procedures for financial reporting; and
- an understanding of audit committee functions.

Committee members may not, other than in their respective capacities as members of the Committee, the Board of Directors or any other committee of the Board of Directors, accept directly or indirectly any consulting, advisory or other compensatory fee from the Corporation or any subsidiary of the Corporation, or be an "affiliated person" (as such term is defined in the Exchange Act and the rules adopted by the U.S. Securities and Exchange Commission thereunder) of the Corporation or any subsidiary of the Corporation. For greater certainty, directors' fees and fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation that are not contingent on continued service should be the only compensation an audit committee member may receive from the Corporation.

No Committee member shall serve on the audit committees of more than three other issuers without prior determination by the Board of Directors that such simultaneous service would not impair the ability of such member to serve effectively on the Committee.

(b) Appointment and Replacement of Committee Members
Each member of the Committee shall serve at the pleasure of the Board of Directors. Any member of the Committee may be removed or replaced at any time by the Board of Directors and shall automatically cease to be a member of the Committee upon ceasing to be a Director of the Corporation.

The Board of Directors may fill vacancies on the Committee by appointment from among its number. The Board of Directors shall fill any vacancy if the membership of the Committee is less than three directors or Canadian residency requirements are not met. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all their power so long as a quorum remains in office and minimum Canadian residency requirements are met.

Subject to the foregoing, the members of the Committee shall be appointed by the Board of Directors annually and each member of the Committee shall hold office until the next annual meeting of the shareholders of the Corporation after his or her election or until his or her successor shall be duly qualified and appointed.

(c) Quorum
A majority of the Committee with at least 25 percent resident Canadians present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other shall constitute a quorum.

(d) Review of Charter and Position of the Committee Chair
The Committee shall review and reassess the adequacy of this Charter and the description of the Committee Chair at least annually and otherwise as it deems appropriate, and recommend changes to the Corporate Governance, Nominating and Risk Committee of the Board of Directors. The Committee shall reference this Charter in establishing its annual goals and meeting objectives.

(e) Delegation
The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

(f) Reporting to the Board of Directors
The Committee will report through the Chair of the Committee to the Board of Directors on matters considered by the Committee, its recommendations and performance relative to annual objectives and its Charter.

(g) Committee Chair Responsibilities
The Board of Directors shall appoint a Chair of the Committee, who is expected to provide leadership to the Committee to enhance its effectiveness. In such capacity, the Chair of the Committee will perform the duties and responsibilities set forth in the "Position Description — Audit Committee Chair".

(h) Calling of Meetings
Any member of the Committee, the Chairman of the Board of Directors, the Corporate Secretary of the Corporation or the external auditor of the Corporation may call a meeting. The Committee shall meet at least four times per year and as many additional times as needed to carry out its duties effectively.

(i) Notice of Meetings
Notice of the time and place of every meeting shall be given in writing or electronic communication to each member of the Committee at least 48 hours prior to the time fixed for such meeting. Notice of each meeting shall be given to the external auditors of the Corporation. A member and the external auditors may in any manner waive notice of a Committee meeting. Attendance of a member at a meeting is a waiver of notice of the meeting except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

(j) Procedure, Records and Reporting
Subject to any statute or articles or by-laws of the Corporation, the Committee shall fix its own procedures at meetings, keep records of its proceedings and report to the Board of Directors, generally not later than the next scheduled meeting of the Board of Directors that follows the Committee meeting. In discharging its responsibilities, the Committee shall have full access to any relevant records of the Corporation.

(k) Attendance of Others at Meetings
The Committee shall have the right to determine who shall, and who shall not, be present at any time during a meeting of the Committee. The Committee may request any officer or employee of the Corporation, members of Audit Services, the Corporation's legal counsel, or any external auditor, to attend a meeting of the Committee or to meet with any members of, or consultants to the Committee. The Committee shall also have the authority to communicate directly with Audit Services and the external auditor.

(l) Outside Experts and Advisors
The Committee may retain, and set and pay the compensation to, any outside expert or advisor, including but not limited to, legal, accounting, financial or other consultants, at the Corporation's expense, as it determines necessary to carry out its duties. The Committee will assure itself as to the independence of any outside expert or advisor.

Approved effective July 31, 2017

Precision Drilling Corporation

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Calgary, Alberta, Canada T2P 1G1
Phone: 403.716.4500
Email: info@precisiondrilling.com
www.precisiondrilling.com



Exhibit 99.2

MD&A

Management's Discussion and Analysis

Precision Drilling Corporation
2017

This management's discussion and analysis (**MD&A**) contains information to help you understand our business and financial performance. Information is as of March 9, 2018. This MD&A focuses on our Consolidated Financial Statements and Notes and includes a discussion of known risks and uncertainties relating to our business and the oilfield services sector. It does not, however, cover the potential effects of general economic, political, governmental and environmental events, or other events that could affect us in the future.

You should read this MD&A with the accompanying audited Consolidated Financial Statements and Notes, which have been prepared in accordance with International Financial Reporting Standards (**IFRS**) and with the information in *Cautionary Statement About Forward-Looking Information and Statements* on page 2.

The terms *we, us, our, Precision Drilling* and *Precision* mean Precision Drilling Corporation and our subsidiaries *and* include any partnerships that we and/or our subsidiaries, of which we are part.

All amounts are in Canadian dollars unless otherwise stated.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS

We disclose forward-looking information to help current and prospective investors understand our future prospects.

Certain statements contained in this MD&A, including statements that contain words such as could, should, can, anticipate, estimate, intend, plan, expect, believe, will, may, continue, project, potential and similar expressions and statements relating to matters that are not historical facts constitute forward-looking information within the meaning of applicable Canadian securities legislation and forward-looking statements within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995 (collectively, **forward-looking information and statements**).

Our forward-looking information and statements in this MD&A include, but are not limited to, the following:

- our outlook on oil and natural gas prices
- our expectations about drilling activity in North America and the demand for drilling rigs
- our capital expenditure plans for 2018
- our 2018 strategic priorities
- the potential impact liquefied natural gas export development could have on North American drilling activity
- our expectations that new or newer rigs will enter the markets we currently operate in
- our ability to remain compliant with our senior secured credit facility financial debt covenants.

The forward-looking information and statements are based on certain assumptions and analysis made by Precision in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances. These include, among other things:

- our ability to react to customer spending plans as a result of changes in oil and natural gas prices
- the status of current negotiations with our customers and vendors
- customer focus on safety performance
- existing term contracts are neither renewed or terminated prematurely
- continued market demand for Tier 1 rigs
- our ability to deliver rigs to customers on a timely basis
- the general stability of the economic and political environment in the jurisdictions we operate in
- the impact of an increase/decrease in capital spending.

Undue reliance should not be placed on forward-looking information and statements. Whether actual results, performance or achievements will conform to our expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from our expectations. Such risks and uncertainties include, but are not limited to:

- volatility in the price and demand for oil and natural gas
- fluctuations in the level of oil and natural gas exploration and development activities
- fluctuations in the demand for contract drilling, directional drilling, well servicing and ancillary oilfield services
- our customers' inability to obtain adequate credit or financing to support their drilling and production activity
- changes in drilling and well servicing technology, which could reduce demand for certain rigs or put us at a competitive advantage
- shortages, delays and interruptions in the delivery of equipment supplies and other key inputs
- liquidity of the capital markets to fund customer drilling programs
- availability of cash flow, debt and equity sources to fund our capital and operating requirements, as needed
- the impact of weather and seasonal conditions on operations and facilities
- competitive operating risks inherent in contract drilling, directional drilling, well servicing and ancillary oilfield services
- ability to improve our rig technology to improve drilling efficiency
- general economic, market or business conditions
- the availability of qualified personnel and management
- a decline in our safety performance which could result in lower demand for our services
- changes in laws or regulations, including changes in environmental laws and regulations such as increased regulation of hydraulic fracturing or restrictions on the burning of fossil fuels and greenhouse gas emissions, which could have an adverse impact on the demand for oil and gas
- terrorism, social, civil and political unrest in the foreign jurisdictions where we operate

- fluctuations in foreign exchange, interest rates and tax rates, and
- other unforeseen conditions which could impact the use of services supplied by Precision and Precision's ability to respond to such conditions.

Readers are cautioned that the foregoing list of risk factors is not exhaustive. You can find more information about these and other factors that could affect our business, operations or financial results in reports on file with securities regulatory authorities from time to time, including but not limited to our annual information form (**AIF**) for the year ended December 31, 2017, which you can find in our profile on SEDAR (**www.sedar.com**) or in our profile on EDGAR (**www.sec.gov**).

All of the forward-looking information and statements made in this MD&A are expressly qualified by these cautionary statements. There can be no assurance that actual results or developments that we anticipate will be realized. We caution you not to place undue reliance on forward-looking information and statements. The forward-looking information and statements made in this MD&A are made as of the date hereof. We will not necessarily update or revise this forward-looking information as a result of new information, future events or otherwise, unless we are required to by securities law.

NON-GAAP MEASURES

In this MD&A, we reference additional generally accepted accounting principles (**GAAP**) measures that are not defined terms under IFRS to assess performance because we believe they provide useful supplemental information to investors.

Adjusted EBITDA

We believe that Adjusted EBITDA (earnings before income taxes, loss on redemption and repurchase of unsecured senior notes, finance charges, foreign exchange, impairment of goodwill, gain on re-measurement of property, plant and equipment, impairment of property, plant and equipment, loss on asset decommissioning, and depreciation and amortization), as reported in the Consolidated Statements of Loss, is a useful supplemental measure because it gives us, and our investors, an indication of the results from our principal business activities before consideration of how our activities are financed and exclude the impact of foreign exchange, taxation, and non-cash impairment, decommissioning, depreciation, and amortization charges.

Covenant EBITDA

Covenant EBITDA, as defined in our Senior Credit Facility agreement differs from Adjusted EBITDA by the exclusion of bad debt expense, restructuring costs and certain foreign exchange amounts that may differ from what is disclosed on the Consolidated Statements of Loss. Covenant EBITDA is a useful measure as it used in the determination on our Senior Credit Facility covenants.

Operating Loss

We believe that operating loss, as reported in the Consolidated Statements of Loss, is a useful measure of our income because it gives us, and our investors, an indication of the results of our principal business activities before consideration of how our activities are financed and exclude the impact of foreign exchange and taxation.

Funds Provided by (Used In) Operations

We believe that funds provided by (used in) operations, as reported in the Consolidated Statements of Cash Flow, is a useful measure because it gives us, and our investors, an indication of the funds our principal business activities generated prior to consideration of working capital, which is primarily made up of highly liquid balances.

Working Capital

We define working capital as current assets less current liabilities as reported on the Consolidated Statements of Financial Position.

About Precision

Precision Drilling Corporation provides onshore drilling and completion and production services to exploration and production companies in the oil and natural gas industry.

Headquartered in Calgary, Alberta, Canada, we are a large oilfield services company with broad geographic scope in North America. We also have operations in the Middle East.

Our common shares trade on the Toronto Stock Exchange, under the symbol PD, and on the New York Stock Exchange, under the symbol PDS.

Vision

Our vision is to be globally recognized as the *High Performance, High Value* provider of land drilling services.

You can read about our strategic priorities for 2018 on page 23.

COMPETITIVE ADVANTAGE

From our founding as a private oilfield drilling contractor in the 1950s, Precision has grown to become one of the most active drillers in North America. Our competitive advantage is underpinned by five distinguishing features:

- a competitive operating model that drives efficiency, quality and cost control
- a culture focused on safety and field performance
- size and scale of operations that provide higher margins and better service capabilities
- a drilling rig platform that allows us to deploy efficiency driven technologies to the field, and
- a capital structure that provides long-term stability, flexibility and liquidity that allows us to take advantage of business cycle opportunities.

CORPORATE GOVERNANCE

At Precision, we believe that a transparent culture of corporate governance and ethical behaviour in decision-making is fundamental to the way we do business.

We have a diverse and experienced Board of Directors (**Board**). Our directors have a history of achievement and an effective mix of skills, knowledge, and business experience. The directors oversee the conduct of our business, provide oversight in support of future operations and monitor regulatory developments and governance best practices in Canada and the U.S. Our Board also reviews our governance charters, guidelines, policies and procedures to make sure they are appropriate and that we maintain high governance standards.

Our Board has established three standing committees, comprised of independent directors, to help it carry out its responsibilities effectively:

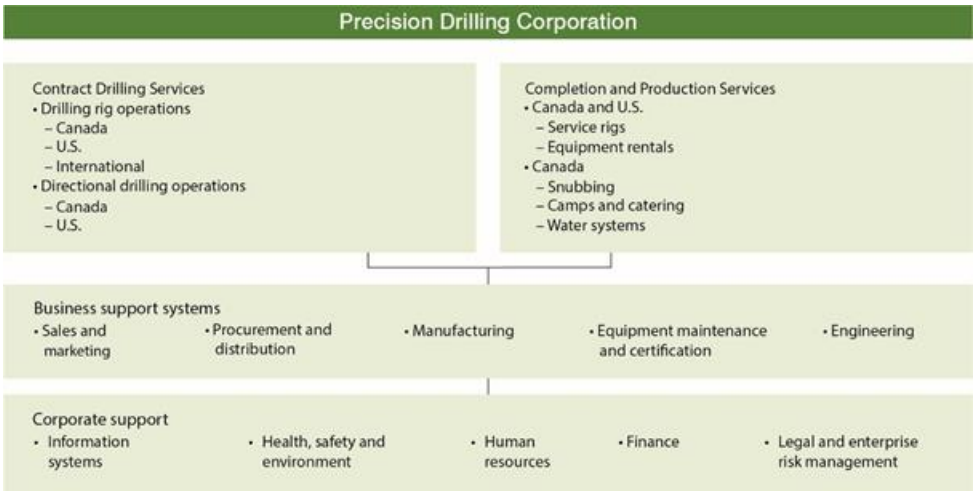
- Audit Committee
- Corporate Governance, Nominating and Risk Committee, and
- Human Resources and Compensation Committee.

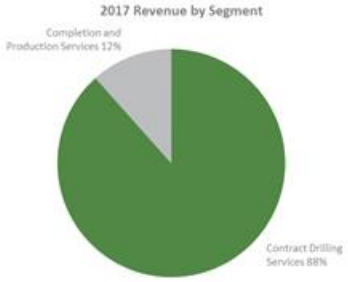
The Board may also create special *ad hoc* committees from time to time to deal with important matters that arise.

You can find more information about our approach to governance in our management information circular, available on our website (www.precisiondrilling.com).

TWO BUSINESS SEGMENTS

We operate our business in two segments, supported by vertically integrated business support systems.







Contract Drilling Services

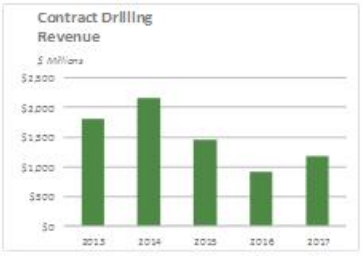
We provide onshore drilling services to exploration and production companies in the oil and natural gas industry, operating in Canada, the U.S. and internationally.

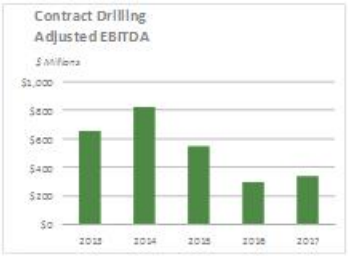
We are a large, multi-basin oilfield operator servicing approximately 25% of the active land drilling market in Canada and 7% of the active U.S. market. We also have an international presence with operations in Mexico and the Middle East.

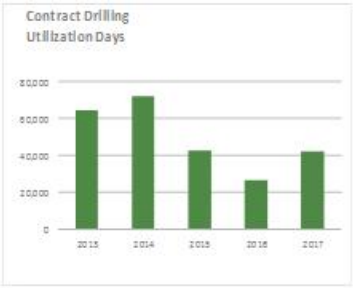
At December 31, 2017, our Contract Drilling Services segment consisted of:

- 256 land drilling rigs, including:
  - 136 in Canada
  - 103 in the U.S.
  - 5 in Mexico
  - 4 in Saudi Arabia
  - 5 in Kuwait
  - 2 in the Kurdistan region of Iraq
  - 1 in the country of Georgia
- capacity for approximately 90 concurrent directional drilling jobs in Canada and the U.S.
- engineering, manufacturing and repair services, primarily for Precision's operations
- centralized procurement, inventory and distribution of consumable supplies for our global operations.

At March 9, 2018, we had 240 *Super Series* drilling rigs, with 16 additional rigs that are good candidates to be upgraded. Our *Tier 1*, or *Super Series* rigs are highly mobile and mechanized, which make them safer and more efficient in drilling directional and horizontal wells than older generation drilling rigs. Our *Super Series* rigs have a broad range of features to meet a diverse range of customer needs with a focus on high efficiency development drilling applications, from drilling shallow- to medium-depth wells to deeper, extended reach horizontal well bores and all depths of conventional wells. Available features include alternating current (**AC**) power, digital control systems, integrated top drive, omni-directional pad walking systems for multi-pad well drilling, highly mechanized pipe handling, and high capacity mud pumps.







Completion and Production Services

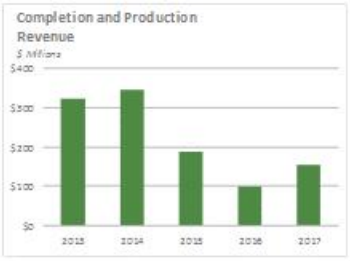
We provide well completion, workover, abandonment, and re-entry preparation services, as well as snubbing units for pressure control services and equipment rentals to oil and natural gas exploration and production companies in Canada and the U.S.

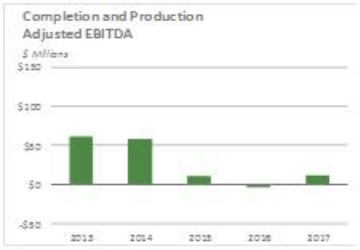
In December 2016 we acquired 48 well service rigs and ancillary equipment in a business acquisition for consideration of $12 million and our coil tubing assets and associated equipment.

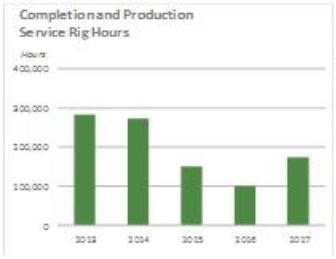
On an operating hour basis in 2017, we serviced approximately 14% of the well completion and workover service rig market demand in Canada and less than 1% in the U.S.

At December 31, 2017, our Completion and Production Services segment consisted of:

- 198 well completion and workover service rigs, including:
  - 190 in Canada
  - 8 in the U.S.
- 12 snubbing units in Canada
- approximately 1,900 oilfield rental items, including surface storage, small-flow wastewater treatment, power generation, and solids control equipment, primarily in Canada
- 133 wellsite accommodation units in Canada
- 43 drill camps and four base camps in Canada
- 10 large-flow wastewater treatment units, 22 pump houses and eight potable water production units in Canada.







2017 Highlights and Outlook

Adjusted EBITDA, funds provided by operations and working capital are Non-GAAP measures. See page 3 for more information.

Financial Highlights

Year ended December 31 *(thousands of dollars, except where noted)*	**2017**	**% increase/ (decrease)**	2016	% increase/ (decrease)	2015	% increase/ (decrease)
Revenue	**1,321,224**	**31.7**	1,003,233	(38.6)	1,634,758	(34.3)
Adjusted EBITDA	**304,981**	**33.7**	228,075	(51.9)	473,865	(40.8)
Adjusted EBITDA % of revenue	**23.1%**		22.7%		29.0%	
Net loss	**(132,036)**	**(15.1)**	(155,555)	(57.2)	(363,436)	(1,196.3)
Cash provided by operations	**116,555**	**(4.9)**	122,508	(76.3)	517,016	(24.0)
Funds provided by operations	**183,935**	**74.6**	105,375	(70.5)	357,090	(48.8)
Investing activities						
Capital spending						
Expansion	**11,946**	**(92.0)**	148,887	(58.8)	361,425	(36.7)
Upgrade	**37,086**	**86.7**	19,862	(59.0)	48,487	(64.5)
Maintenance and infrastructure	**25,791**	**(25.7)**	34,723	(28.8)	48,798	(67.2)
Intangibles	**23,179**	**n/m**	—	—	—	—
Proceeds on sale	**(14,841)**	**89.3**	(7,840)	(19.9)	(9,786)	(90.4)
Net capital spending	**83,161**	**(57.5)**	195,632	(56.4)	448,924	(40.5)
Business acquisition	**—**	**(100.0)**	12,200	n/m	—	—
Loss per share ($)						
Basic and diluted	**(0.45)**	**(15.1)**	(0.53)	(57.3)	(1.24)	(1,227.3)
Dividends per share ($)	**—**	**—**	—	(100.0)	0.28	12.0

n/m – calculation not meaningful

Operating Highlights

Year ended December 31	**2017**	**% increase/ (decrease)**	2016	% increase/ (decrease)	2015	% increase/ (decrease)
Contract drilling rig fleet	**256**	**0.4**	255	1.6	251	(19.8)
Drilling rig utilization days						
Canada	**18,883**	**48.4**	12,722	(26.2)	17,238	(47.5)
U.S.	**20,479**	**80.5**	11,343	(46.4)	21,172	(39.6)
International	**2,920**	**4.8**	2,786	(31.8)	4,084	1.2
Revenue per utilization day						
Canada (Cdn$)	**21,143**	**(13.7)**	24,509	(9.1)	26,976	6.0
U.S. (US$)	**19,861**	**(24.0)**	26,145	(2.2)	26,728	6.3
International (US$)	**50,240**	**9.8**	45,753	5.2	43,491	(0.9)
Operating cost per utilization day						
Canada (Cdn$)	**13,140**	**(7.8)**	14,258	(4.2)	14,884	5.4
U.S. (US$)	**13,846**	**(10.9)**	15,547	(0.5)	15,618	4.9
Service rig fleet	**210**	**1.4**	207	27.0	163	(7.9)
Service rig operating hours	**172,848**	**73.8**	99,451	(33.5)	149,574	(45.2)
Revenue per operating hour (Cdn$)	**637**	**(1.4)**	646	(17.6)	784	(13.6)

Financial Position and Ratios

(thousands of dollars, except ratios)	**December 31, 2017**	December 31, 2016	December 31, 2015
Working capital[1]	**232,121**	230,874	536,815
Working capital ratio	**2.1**	2.0	3.2
Long-term debt	**1,730,437**	1,906,934	2,180,510
Total long-term financial liabilities	**1,754,059**	1,946,742	2,210,231
Total assets	**3,892,931**	4,324,214	4,878,690
Enterprise value[2]	**2,782,596**	3,937,737	3,337,980
Long-term debt to long-term debt plus equity[3]	**0.5**	0.5	0.5
Long-term debt to cash provided by operations	**14.8**	15.6	4.2
Long-term debt to enterprise value	**0.6**	0.5	0.7

(1) See NON-GAAP MEASURES on page 3 of this report
(2) Share price multiplied by the number of shares outstanding plus long-term debt minus cash. See page 40 for more information.
(3) Net of unamortized debt issue costs.

RECAST

During the third quarter of 2017, we changed our treatment of how certain amounts that were historically netted against operating expense should be classified. Certain amounts that were historically netted against operating expenses are now treated as revenue, with a corresponding increase to operating expenses. The primary nature of these amounts related to additional labour charges to customers above our standard drilling crew configuration, subsistence allowances paid to the drilling crew which varies depending on whether the crews were staying in a camp or hotel, and equipment rental. As a result, previously reported revenues and operating expenses were understated by equivalent amounts.

To conform to current year presentation, certain immaterial reclassifications between operating and general administrative expenses have also been made in the comparative periods.

As a result of these reclassifications, we have recast the prior years' comparative amounts as follows:

	For the Year Ended December 31, 2016				For the Year Ended December 31, 2015			
(thousands of dollars)	As previously reported	Revenue recast	Expense recast	As recast	As previously reported	Revenue recast	Expense recast	As recast
Revenue	951,411	51,822	—	1,003,233	1,555,624	79,134	—	1,634,758
Expenses:								
Operating	607,295	51,822	2,598	661,715	934,693	79,134	7,657	1,021,484
General and administrative	110,287	—	(2,598)	107,689	126,423	—	(7,657)	118,766
Restructuring	5,754	—	—	5,754	20,643	—	—	20,643
Adjusted EBITDA[1]	228,075	—	—	228,075	473,865	—	—	473,865

(1) See NON-GAAP MEASURES on page 4 of this report.

2017 OVERVIEW

Crude oil prices began to decline in mid-2014, reaching a low point in 2016 and resulting in a severe, industry-wide downturn with low oil and natural gas prices reducing our customers' cash flows, causing them to scale back their capital budgets. As a result, customer demand and drilling activity declined significantly over this period which had a negative impact on our activity and resulting cash flow. In the fourth quarter of 2016, the Organization of Petroleum Exporting Countries (**OPEC**) and certain non-OPEC countries agreed to production caps, resulting in more stable and higher crude oil prices. Although natural gas prices remain historically low, higher oil prices in 2017 resulted in significantly higher customer demand and drilling activity for us in 2017 with total utilization days increasing 64% over 2016 levels.

For the year ended December 31, 2017, our net loss was $132 million, or $0.45 per diluted share, compared with a net loss of $156 million, or $0.53 per diluted share in 2016. During 2017 we incurred an asset impairment charge of $15 million, related to our Mexico contract drilling business, that after tax increased our net loss by $12 million and net loss per diluted share by $0.04.

Revenue in 2017 was $1,321 million, or 32% higherthan in 2016, mainly due to higher activity. Contract Drilling Services revenue was up 29%, while Completion and Production Services revenue was up 54%. Our Canadian, U.S. and international drilling activity increased 48%, 81% and 5%, respectively.

Adjusted EBITDA in 2017 was $305 million, or 34% higher than in 2016. Our Adjusted EBITDA margin was 23%, in-line with 2016. Adjusted EBITDA improved because of lower share-based compensation expense and higher utilization in North America offset by the expiry of some legacy long-term drilling rig contracts. Adjusted EBITDA margin for the year in our Contract Drilling Services segment was 29%, compared with 33% in the prior year, while Adjusted EBITDA margin from our Completion and Production Services segment was 8%, compared with a prior year margin of negative 4%. Increased activity has led to fixed costs and operating overhead being spread over a larger base resulting in improved margins compared with the prior year in our Completion and Production Services segment. Our portfolio of term customer contracts, a scalable operating cost structure, and economies achieved through vertical integration of the supply chain help us manage our Adjusted EBITDA margin.

We undertook several measures to manage our variable costs during the industry downturn including reducing our capital and operating expenditures. We also reduced our fixed cost structure by consolidating several of our North American operating facilities, streamlining management reporting structures, and reducing staff, which resulted in one-time costs of $6 million in 2016. We have continued to maintain the reduced overhead levels despite the significant increase in activity.

Capital expenditures for the purchase of property, plant and equipment were $98 million in 2017, a decrease of $105 million over 2016. Capital spending for 2017 included $12 million on expansion capital, $37 million on upgrade capital, $26 million on the maintenance of existing assets and infrastructure and $23 million on intangibles, which primarily related to information technology infrastructure. Expansion capital relates to the completion of the two new-build drilling rigs for Kuwait delivered in the fourth quarter of 2016.

In 2017, we added one *Super Series* drilling rig to the U.S. fleet compared with the addition of four in 2016 (one in Canada, one in the U.S. and two in Kuwait). In December 2016, we also added 48 well service rigs and ancillary equipment in a business acquisition for consideration of $12 million and our coil tubing units and associated equipment.

Under International Financial Reporting Standards, we are required to assess the carrying value of assets in our cash generating units (**CGUs**) containing goodwill annually and when indicators of impairment exist. Because of no activity in 2017, we completed an impairment test for our Mexico contract drilling CGU as of December 31, 2017. The test involves determining a value in use based on a multi-year discounted cash flow using assumptions on expected future results. The resulting value in use is then compared to the carrying value of the CGU. Because of this test it was determined that property, plant and equipment in our Mexico contract drilling business was impaired by US$12 million.

In November 2017 we issued US$400 million of 7.125% senior notes due in 2026 in a private offering. The Notes are guaranteed on a senior unsecured basis by current and future U.S. and Canadian subsidiaries that also guarantee our Senior Credit Facility and certain other indebtedness. The Notes were issued to redeem and repurchase all our outstanding 6.625% unsecured senior notes due 2020 and redeem a portion of our 6.5% unsecured senior notes due 2021. In addition, we agreed with our lending group to amend the terms of our Senior Credit Facility to among other things, reduce the Covenant EBITDA, as defined in the debt agreement, (see NON-GAAP MEASURES on page 4 of this report) to interest expense coverage ratio, reduce the size of the facility to US$500 million and extend the maturity to November 21, 2021. For added amendments and detail on the new debt and redemption of our existing debt see *LIQUIDITY* on page 34 of this report.

OUTLOOK

Contracts

Term customer contracts provide a base level of activity and revenue. As of March 9, 2018, we had term contracts in place for an average of 43 rigs: seven in Canada, 29 in the U.S. and seven internationally for 2018. In Canada, term contracted rigs normally generate 250 utilization days per rig year because of the seasonal nature of wellsite access. In most region in the U.S. and internationally term contracts normally generate 365 utilization days per rig year. In 2017, we had an average of 57 drilling rigs working under term contracts and revenue from these contracts was approximately 47% of our total contract drilling revenue for the year.

In 2017, approximately 47% of our total contract drilling revenue was generated from rigs under term contracts.

Pricing, Demand and Utilization

While global crude oil prices remained volatile throughout 2017, production cuts put in place by OPEC and select non-OPEC countries in late-2016 have supported higher oil prices and provided a level of stability in the market. In 2017, West Texas Intermediate (**WTI**) crude oil prices averaged US$50.95 per barrel, increasing from cyclical lows in 2016. Following the decision in late-2017 to extend the cuts through the end of 2018, global crude oil prices strengthened further with WTI crude closing the year at US$60.46 per barrel and averaging US$62.96 per barrel for the first two months of 2018. Although global crude prices have strengthened, certain Canadian grades of crude, such as Western Canada Select (**WCS**) became deeply discounted from WTI in the second half of 2017 because of takeaway capacity constraints from oil producing regions in Western Canada, a dynamic that continued into 2018. In the first two months of 2018 WCS averaged US$36.75 or a US$26.21 discount from the average WTI price.

Natural gas prices have remained rangebound by historical standards as growth in associated gas from unconventional oil development, higher than average storage levels, infrastructure constraints and the lack of a fully developed export market from North America continue to cap pricing. Natural gas prices in the U.S., referenced by the Henry Hub price on the New York Mercantile Exchange (**NYMEX**), averaged US$2.98 per MMBtu in 2017, and closed the year at US$3.69 per MMBtu. In Canada, the AECO gas benchmark witnessed price weakness and volatility in 2017 particularly in the summer months driven by plant maintenance, pipeline shut-ins, and challenges exporting gas as a Canadian LNG export industry has not been developed leaving a well-supplied U.S. market as the only export option for Canadian gas. Differences between NYMEX (U.S.) prices and AECO (Canada) prices are expected to continue if Canadian export markets remained challenged.

The rig count at March 9, 2018 was 13% lower in Canada than it was a year ago while the year-to-date rig count has averaged 8% less than 2017. Activity for the remainder of the year is expected to be determined by the strength in commodity prices and the resulting oil and gas customer budgets.

In the U.S., strengthening crude prices have resulted in increased drilling activity and demand for our rigs. As a result, spot market pricing and activity each increased throughout 2017 and have improved further year-to-date in 2018. As of March 9, 2018, the rig count was 30% higher than the same time last year and has averaged 34% higher year-to-date compared to 2017. Activity levels for the remainder of 2018 are expected to be dependent on commodity prices and resulting customer budgets.

The Canadian dollar averaged US$0.7704 (Cdn$/US$1.2979) for 2017 and closed the year at US$0.7954 (Cdn$/US$1.2573). The lower Canadian dollar relative to the U.S. dollar serves to partially offset the impact of lower U.S. dollar-denominated crude oil and natural gas prices for Canadian exploration and production companies. Year to date, the Canadian dollar has weakened in relation to the U.S. dollar and as of March 9, 2018, the Canadian dollar closed at US$0.7802.

International

Our international drilling rig fleet consists of 17 rigs with five in Kuwait, five in Mexico, four in the Kingdom of Saudi Arabia, two in the Kurdistan region of Iraq and one in the country of Georgia. We currently have eight rigs working on term contracts with five in Kuwait and three in the Kingdom of Saudi Arabia.

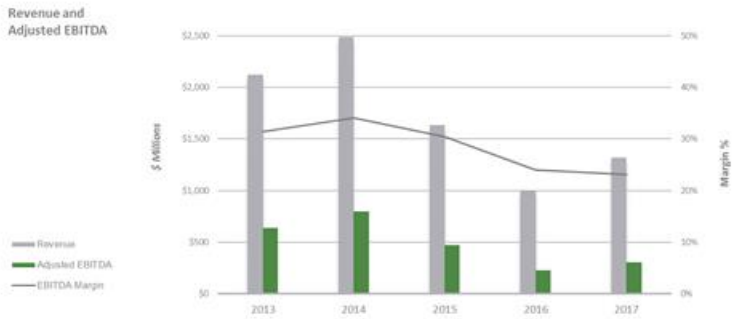
Upgrading the Fleet

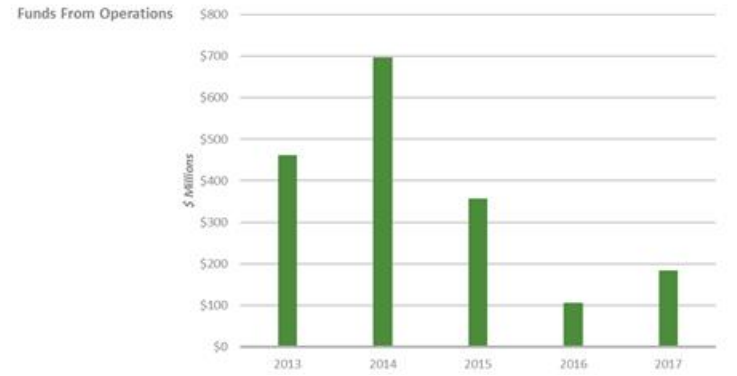
The industry trend toward more complex drilling programs has accelerated the retirement of older generation, less capable rigs. Over the past several years, we and some of our competitors have been upgrading the drilling rig fleet by building new rigs, upgrading existing rigs, and decommissioning lower capacity rigs. We believe this retooling of the industry-wide fleet has been making legacy rigs virtually obsolete in North America.

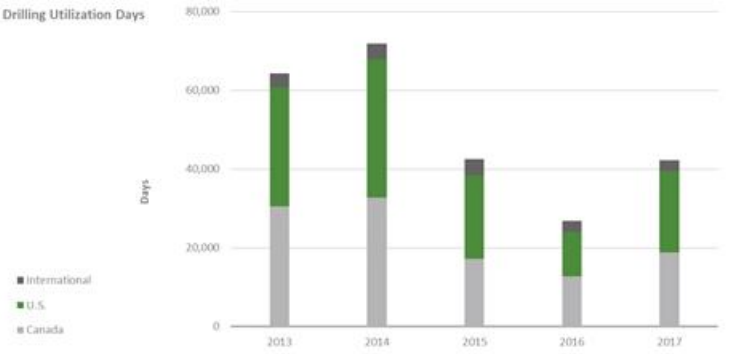
After our new-build program, the upgrading of a number of existing rigs, and the cumulative decommissioning of 236 legacy rigs, our fleet now consists of 240 Tier 1 rigs with 16 additional rigs that are good candidates for upgrade.

Capital Spending

We expect capital spending in 2018 to be $94 million, including $34 million on expansion and upgrade, $45 million on maintenance and infrastructure expenditures and $15 million on intangibles, primarily relating to information technology infrastructure. We expect that the $94 million will be split $74 million in the Contract Drilling segment, $5 million in the Completion and Production Services segment and $15 million in the Corporate segment. Precision's sustaining and infrastructure capital plan is based on currently anticipated activity levels for 2018. If we can obtain attractive term contracts we would consider additional upgrade and expansion capital opportunities. Maintenance capital is variable and will increase or decrease with activity.


Revenue and Adjusted EBITDA
$2,500
$2,000
$1,500
$1,000
$500
$0
50%
40%
30%
20%
10%
0%
$ Millions
Margin %
Revenue
Adjusted EBITDA
EBITDA Margin
2013
2014
2015
2016
2017


Funds From Operations
$800
$700
$600
$500
$400
$300
$200
$100
$0
$ Millions
2013
2014
2015
2016
2017


Drilling Utilization Days
80,000
60,000
40,000
20,000
0
Days
International
U.S.
Canada
2013
2014
2015
2016
2017

Understanding Our Business Drivers

THE ENERGY INDUSTRY

Precision operates in the energy services business, which is an inherently challenging cyclical sector of the energy industry. We depend on oil and natural gas exploration and production companies to contract our services as part of their exploration and development activities. The economics of their businesses are dictated by the current and expected future margin between their finding and development costs and the eventual market price for the commodities they produce: crude oil, natural gas, and natural gas liquids.

Conventional / Unconventional wells

Oil and gas reservoirs can be conventional, where a vertical well is drilled into a highly pressurized reservoir allowing the oil and gas to flow freely shortly after completing the drilling process. Unconventional reservoirs are exploited by drilling a vertical section of a well followed by a horizontal section to access a large portion of the oil or gas formation. These "unconventional" or "shale" reservoirs are typically lower pressure and require extra stimulation to generate production. The practice of "hydraulic fracturing" follows the unconventional drilling process with high horsepower equipment pumping water and proppant down a wellbore at high pressure to frack the rock, releasing hydrocarbons.

Commodity Prices

Cash flow to fund exploration and development is dependent on commodity prices: higher prices increase cash flow and encourage investment and when prices decline, the opposite is true.

Oil can be transported relatively easily, so it is generally priced in a global market that is influenced by an array of economic and political factors. Higher oil prices typically result in stronger demand for drilling services with funding for drilling programs directed toward the most economically attractive drilling opportunities. As the volume of unconventional oil development has dramatically increased over the past decade, generating efficiencies through industrialized processes, more capital has been directed toward unconventional oil development in North America, reflecting the region's competitiveness globally.

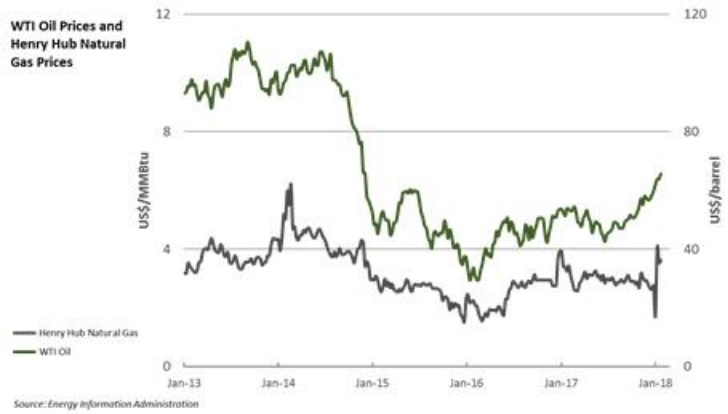
Natural gas and natural gas liquids continue to be priced more regionally. In North America, natural gas demand largely depends on the weather. Colder winter temperatures, and to a lesser extent, warmer summer temperatures, result in greater natural gas demand. Other demand drivers, such as natural gas fired power generation, industrial applications, and transportation, have shown positive growth over the past several years driven by a preference for natural gas over coal, favourable regulation, and lower prices. The potential for liquefied natural gas (**LNG**) export development in Canada and continued development in the U.S. could serve as a catalyst for natural gas directed drilling activity over the medium to long term.

The key natural gas price driver continues to be increased production from unconventional shale gas drilling. Since the winter of 2014, pricing for natural gas in North America has been depressed, as supplies of unconventional natural gas have increased, and current inventory levels are viewed as adequate to keep North American markets well supplied.

Average Oil and Natural Gas Prices

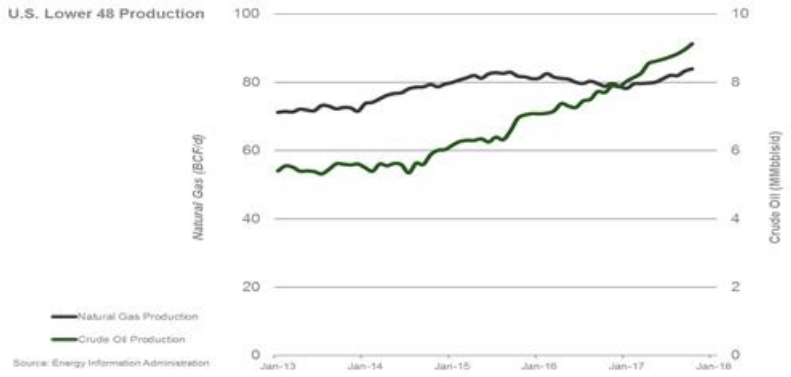
	2017	2016	2015
Oil			
WTI (US$ per barrel)	**50.95**	43.30	48.77
Natural gas			
Canada			
AECO ($ per MMBtu)	**2.16**	2.14	2.70
U.S.			
Henry Hub (US$ per MMBtu)	**2.98**	2.48	2.60

Source: WTI and Henry; Hub Energy Information Administration, AECO; Gas Alberta Inc.

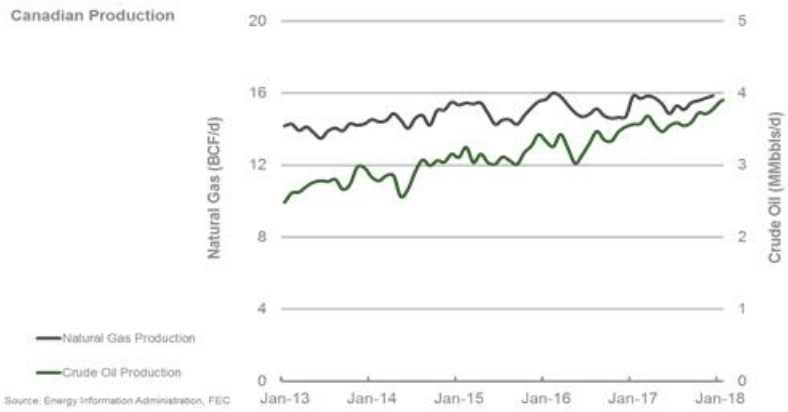


New Technology

Exploration and production companies across the U.S. and Canada have been increasingly focused on drilling and completion efficiency as they have adapted to a lower commodity price environment. Our customers have adopted large-scale industrialization techniques, utilizing multi-well pads and high efficiency rig systems in order to remain competitive in today's environment. The next wave of efficiency is centered around rig automation technologies with customers desiring consistent, predictable and repeatable results in their development-style drilling programs.



Natural gas production in Canada has been flat because of lower natural gas directed drilling due to pricing pressure and Canada's lack of an export market other than the U.S.



Drilling Activity

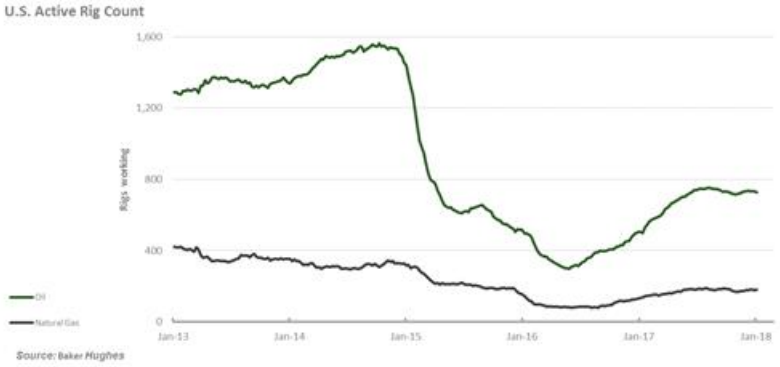
Following a decline in activity in 2015 and 2016, the North American land drilling market showed increased activity levels in 2017 as customer demand improved with higher oil prices.

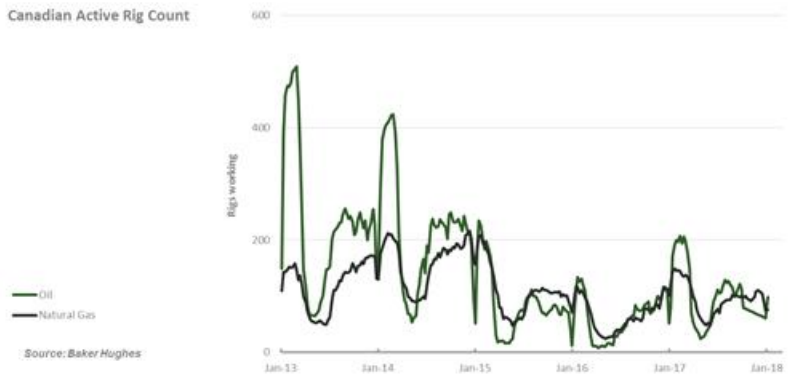
In 2017, the industry drilled 6,959 wells in western Canada, compared with 3,963 in 2016 and 5,241 in 2015. Total industry drilling operating days were 66,138 in 2017 compared with 42,391 in 2016 and 64,880 in 2015. Average industry drilling operating days per well was 9.5 compared with 10.7 in 2016 and 12.4 in 2015. From 2017 to 2016 the average depth of a well increased 5% compared with an increase of 2% from 2015 to 2016.

In 2017 approximately 15,800 wells were started onshore in the U.S., compared with approximately 11,200 in 2016 and 20,400 in 2015.

In Canada, there has been relative strength in natural gas liquids and light tight oil drilling activity in the deeper basins of northwestern Alberta and northeastern British Columbia, while in the U.S. the bias towards oil-directed drilling continues. In 2017, approximately 53% of the Canadian industry's active rigs and 80% of the U.S. industry's active rigs were drilling for oil targets, compared with 48% for Canada and 80% for the U.S. in 2016.

The graphs below show the shift in drilling activity to oil targets since 2013, in both the U.S. and Canada. The Canadian drilling rig activity graph also shows how Canadian drilling activity fluctuates with the seasons, a market dynamic that generally is not present in the U.S.





A COMPETITIVE OPERATING MODEL

The contract drilling business is highly competitive, with many industry participants. We compete for drilling contracts that are often awarded in a competitive bid process. We believe potential customers focus on pricing and rig availability when selecting a drilling contractor, but also consider many other things, including drilling capabilities, condition of rigs, quality of rig crews, breadth of service, technology offering, and safety record, among others.

Providing *High Performance, High Value* services to our customers is the core of our competitive strategy. We deliver*High Performance* through passionate people supported by quality business systems, drilling technology, equipment and infrastructure designed to optimize results and reduce risks. We create *High Value* by operating safely and sustainably, lowering our customers' risks and costs while improving efficiency, developing our people, and generating superior financial returns for our investors.

Operating Efficiency

We keep customer well costs down by maximizing the efficiency of operations in several ways:

- using innovative and advanced drilling technology that is efficient and reduces costs
- having equipment that is geographically dispersed, reliable and well maintained
- monitoring our equipment to minimize mechanical downtime
- managing operations effectively to keep non-productive time to a minimum
- staffing our rigs with well-trained crews with performance measured against defined competencies, and
- compensating our executives and eligible employees based on performance against safety, operational, employee retention, and financial measures.

Efficient, Cost-Reducing Technologies

We focus on providing efficient, cost-reducing drilling technologies. Design innovations and technology improvements, such as multi-well pad capability and rapid mobility between wells, capture incremental time savings during the drilling process.

Our *Super Series* rigs have a broad range of features to meet a diverse range of customer needs with a focus on high-efficiency development drilling applications, from drilling shallow- to medium-depth wells to deeper, extended reach horizontal well bores. Available features include alternating current (**AC**) power, digital control systems, integrated top drives, omni-directional pad walking systems for multi-pad well drilling, highly mechanized pipe handling, and high capacity mud pumps. Our *Super Series* fleet includes a number of smaller, fast-moving, hydraulically-powered mechanized rigs that are optimized for shallow- to medium-depth resource plays found across North America.

Broad Geographic Footprint

Geographic proximity and fleet versatility support the *High Performance, High Value* services we provide to our customers. Our large, diverse fleet of rigs is strategically deployed across the most active drilling regions in North America, including all major unconventional oil and natural gas basins.

Managing Downtime

Minimizing downtime is a key operating metric for us and our customers. Reliable and well-maintained equipment minimizes downtime and non-productive time during operations. We manage mechanical downtime through preventative maintenance programs, detailed inspection processes, an extensive fleet of strategically-located spare equipment, and an in-house supply chain. We minimize non-productive time (to move, rig-up and rig-out) by utilizing walking systems, reducing the number of move loads per rig, and using mechanized equipment for safer and quicker rig component connections.

Tracking Our Results

We unitize key financial information per day and per hour and compare these measures to established benchmarks and past performance. We evaluate the relative strength of our financial position by monitoring our working capital, debt ratios, and returns on capital employed. We track industry rig utilization statistics to evaluate our performance against competitors.

We reward executives and eligible employees through incentive compensation plans for performance against the following measures:

- safety performance – total recordable incident frequency per 200,000 man-hours, recordable free facilities and "Triple Target Zero" days (defined on page 21 under '*Safe Operations*'). Measured against prior year performance and current year industry performance in Canada and the U.S.
- operational performance – rig down time for repair as measured by time not billed to the customer. Measured against a predetermined target of available billable time
- key field employee retention – senior field employee retention rates. Measured against predetermined target rates of retention
- strategic initiatives – achieving strategic operational goals. Measured against predetermined target metrics
- financial performance – Adjusted EBITDA, adjusted cash flow and return on capital employed. Measured against predetermined targets
- investment returns – total shareholder return performance (including dividends) against a group of industry peers, over a three-year period. The peer group consists of a predetermined group of companies with similar business operations that we compete with for investors.

Top Tier Service

We pride ourselves on providing quality equipment operated by experienced and well-trained crews. We also strive to align our capabilities with evolving technical requirements associated with more complex well bore programs.

High Performance Rig Fleet

Our fleet of drilling rigs is well positioned to address the unconventional drilling programs of our customers. The vast majority of our drilling rigs have been designed or significantly upgraded to drill horizontal wells. With a breadth of horsepower types and drilling depth capabilities, our large fleet can address every type of onshore unconventional and conventional oil and natural gas drilling opportunity in North America.

Our service rigs provide completion, workover, abandonment, well maintenance, high pressure operations and critical sour gas well work, and well re-entry preparation across the Western Canada Sedimentary Basin and in the northern U.S. Service rigs are supported by four field locations in Alberta, two in Saskatchewan, and one each in Manitoba, British Columbia and North Dakota.

Snubbing units complement traditional natural gas well servicing by allowing customers to work on wells while they are pressurized and production has been suspended. We have two kinds of snubbing units: rig-assist and self-contained. Self-contained units do not require a service rig on site and are capable of snubbing and performing many other well servicing procedures. Included in our self-contained units are three patented L-frame units, which are more efficient in the rig up and rig out process than standard self-contained units.

Upgrade Opportunities

We leverage our internal manufacturing and repair capabilities and inventory of quality rigs to address market demand through upgraded drilling rigs. For drilling rigs, the upgrade is typically performed at the request of a customer and includes a term contract. Certain upgrades have sometimes resulted in a change in tier classification.

Ancillary Equipment and Services

An inventory of equipment (top drives, loaders, boilers, tubulars, and well control equipment) supports our fleet of drilling and service rigs. We also maintain an inventory of key rig components to minimize downtime due to equipment failure.

We benefit from internal services for equipment certifications and component manufacturing from our manufacturing division in Canada and for standardization and distribution of consumable oilfield products through our procurement divisions in Canada and the U.S.

Precision Rentals provides specialized equipment and wellsite accommodations to customers on a rental basis. Precision Camp Services provides food and accommodation to personnel working at the wellsite, typically in remote locations in Western Canada. Terra Water Systems designs, fabricates and rents units to customers including: portable wastewater handling, treatment and disposal facilities, potable water production plants, and potable water delivery systems for remote sites in Western Canada.

Technical Centres

We operate two contract drilling technical centres, one in Nisku, Alberta and one in Houston, Texas. We also operate one completion and production services technical centre in Red Deer, Alberta. These centres accommodate our technical service and field training groups and enable us to consolidate support and training for our operations. Both of our contract drilling technical centres include fully functioning training rigs with the latest drilling technologies. In addition, our Houston facility accommodates our rig manufacturing group.

People

Having an experienced, high performance crew is a competitive strength and highly valued by our customers. There are often shortages of industry manpower in peak operating periods. We rely heavily on our safety record, investment in employee development, comprehensive employee training, competency development, and reputation to attract and retain employees. Our people strategies focus on initiatives that provide a safe and productive work environment, opportunity for advancement, and added wage security. We have centralized personnel, orientation, and training programs in Canada and the U.S. Our people strategies have enabled us to deliver sufficient and good quality field crews at all points in the industry cycle.

Toughnecks (**www.toughnecks.com**) has been a highly successful field recruiting program for us since we introduced it in 2008.

Systems

In 2017 we commenced an upgrade to our enterprise-wide reporting system (ERP) with completion expected in the second quarter of 2018. The upgraded system will fully integrate our drilling rigs with our field facilities and corporate offices increasing operating efficiencies and positioning the organization to better handle the increased data flows associated with our business. All our divisions operate using standardized business processes across marketing, equipment maintenance, procurement, manufacturing, HSE, inventory control, engineering, finance, payroll and human resources.

We continue to invest in information systems that provide competitive advantages. Electronic links between field and financial systems provide accuracy and timely processing. This repository of rig data improves response time to customer inquiries. Rig manufacturing projects also benefit from scheduling and budgeting tools, which identify and help leverage economies of scale as construction demands increase.

Safe Operations

Safety, environmental stewardship and employee wellness are critical for us and for our customers and are the foundation of our culture.

Safety performance is a fundamental contributor to operating performance and the financial results we generate for our shareholders. We track safety using three separate metrics:

- Total Recordable Incident Frequency
- Facilities Recordable Free
- Triple Target Zero Days.

Target Zero

Our safety vision for eliminating workplace incidents is a core belief that all injuries can be prevented.

Total Recordable Incident Frequency (**TRIF**) is an industry standard and benchmarks our success and isolates areas for improvement. We have taken it to another level by tracking and measuring all injuries, regardless of severity, because they are leading indicators for the potential for more serious events. In 2017, 86% of our drilling rigs and 91% of our service rigs achieved Target Zero. Facilities recordable free includes all of our rigs, operating centers and offices and measures how many of our facilities do not have a recordable during the year. In addition, we have a goal of achieving “Triple Target Zero” every day. A Triple Target Zero day is a day when we have no vehicle incidents, no recordable injuries and no spills. For 2017 we achieved 282 Triple Target Zero days.

We continuously review our rig designs and components and use advanced technologies to improve the life cycle, maintain safety and operational efficiency, reduce energy use, and manage our energy and resources.

Together with our customers, we are continuously looking for opportunities to reduce our consumption of non-renewable resources and reduce our environmental footprint. We use technology to minimize our impact on the environment, including:

- heat recovery and distribution systems
- power generation and distribution
- fuel management
- fuel type
- noise reduction
- recycling of used materials
- use of recycled materials
- efficient equipment designs
- spill containment.

AN EFFECTIVE STRATEGY

Precision's vision is to be globally recognized as the *High Performance, High Value* provider of land drilling services. We work toward this vision by defining and measuring our results against strategic priorities we establish at the beginning of every year.

2017 Strategic Priorities	2017 Results
Deliver High Performance, High Value service offerings in an improving demand environment while demonstrating fixed cost leverage.	Delivered 99.56% and 98.97% uptime in Canada and the U.S. respectively Reduced general and administrative costs by approximately $18 million representing a 16% year-over-year decrease Maintained a stable corporate headcount notwithstanding a 64% increase in North American drilling activity Achieved a near record low operating cost per utilization day in the U.S. in the third quarter Achieved a 1.14 Total Recordable Incident Rate (TRIR) and 282 Triple Target Zero Days with no life altering incidents.
Commercialize rig automation and efficiency-driven technologies across our Super Series fleet.	Installed and ran 20 Process Automation Control systems on our rigs and drilled 154 wells in 2017 utilizing the technology Drilled 57 wells in 2017 using a Directional Guidance System, 30% of which were integrated jobs with a reduced crew Remained the industry leader in utilizing wired drill pipe having drilled over 95% of wells on land utilizing this technology Initiated the implementation of a new ERP system aimed at driving increased operating efficiencies, improving our fixed cost leverage and positioning the organization to better handle increased data flows.
Maintain strict financial discipline in pursuing growth opportunities with a focus on free cash flow and debt reduction.	Generated $184 million of funds from operations, see Non-GAAP Measures on page 3 In 2017 we added 29 contracts greater than six months, the majority of which were linked to covering the capital investment for upgrades Reduced long-term debt by $52 million utilizing cash on hand following a $213 million reduction in 2016 Extended the earliest maturity of our long-term debt by 13 months to December 2021 Maintained modest capital plan in 2017 with actual spend $40 million below initial plan Extended the maturity of our Senior Credit Facility to November 2021 to reinforce strong liquidity position.

Our Corporate and Competitive Strategies are designed to optimize resource allocation and differentiate us from the competition, generating value for investors. Unconventional drilling is the primary opportunity in the North American marketplace. Unconventional resource development requires advanced Tier 1 drilling rigs and other highly developed services that facilitate the drilling of reliable, predictable and repeatable horizontal wells. Customer adoption of large-scale industrialization techniques and high efficiency rig systems continues to increase and Precision's Super Series rig fleet and *High Performance, High Value* strategy positions the Company to benefit from that trend. The completion and production work associated with unconventional wells provides the most profitable growth opportunities for our Completion and Production Services segment.

Strategic Priorities for 2018

1. Reduce debt by generating free cash flow while continuing to fund only the most attractive investment opportunities.
2. Reinforce Precision's High Performance competitive advantage by deploying Process Automation Controls, Directional Guidance Systems and Drilling Performance Applications on a wide scale commercial basis.
3. Enhance financial performance through higher utilization and improved operating margins.

2017 Results

Adjusted EBITDA and operating loss are Non-GAAP measures. See page 3 for more information.

Consolidated Statements of Loss Summary

Year ended December 31 *(thousands of dollars)*	**2017**	2016	2015
Revenue			
Contract Drilling Services	**1,173,930**	907,821	1,457,470
Completion and Production Services	**154,146**	100,049	186,317
Inter-segment elimination	**(6,852)**	(4,637)	(9,029)
	1,321,224	1,003,233	1,634,758
Adjusted EBITDA(1)			
Contract Drilling Services	**342,970**	296,651	535,394
Completion and Production Services	**11,888**	(3,649)	10,239
Corporate and Other	**(49,877)**	(64,927)	(71,768)
	304,981	228,075	473,865
Depreciation and amortization	**377,746**	391,659	486,655
Impairment of property, plant and equipment	**15,313**	—	281,987
Gain on re-measurement of property, plant and equipment	**—**	(7,605)	—
Loss on asset decommissioning	**—**	—	166,486
Operating loss(1)	**(88,078)**	(155,979)	(461,263)
Impairment of goodwill	**—**	—	17,117
Foreign exchange	**(2,970)**	6,008	(33,251)
Finance charges	**137,928**	146,360	121,043
Loss on redemption and repurchase of unsecured senior notes	**9,021**	239	—
Loss before income taxes	**(232,057)**	(308,586)	(566,172)
Income taxes	**(100,021)**	(153,031)	(202,736)
Net loss	**(132,036)**	(155,555)	(363,436)

(1) See Non-GAAP Measures on page 3 of this report.

Results by Geographic Segment

Year ended December 31 *(thousands of dollars)*	**2017**	2016	2015
Revenue			
Canada	**578,817**	418,030	646,753
U.S.	**568,573**	426,546	781,612
International	**190,401**	169,286	226,129
Inter-segment elimination	**(16,567)**	(10,629)	(19,736)
	1,321,224	1,003,233	1,634,758
Total assets			
Canada	**1,631,838**	1,738,853	2,077,077
U.S.	**1,666,368**	1,861,908	2,096,214
International	**594,725**	723,453	705,399
	3,892,931	4,324,214	4,878,690

2017 COMPARED WITH 2016

Net loss in 2017 was $132 million, or $0.45 per diluted share, compared with net loss of $156 million, or $0.53 per diluted share, in 2016.

Revenue was $1,321 million (32% higher than 2016) because of higher activity in all our operations.

Adjusted EBITDA in 2017 was $305 million (34% higher than 2016), mainly because activity levels were higher in all our operations. Activity, as measured by drilling utilization days, increased 48% in Canada, 81% in the U.S., and 5% internationally compared with 2016.

Impairment

Under International Financial Reporting Standards, we are required to assess the carrying value of assets in our cash generating units (CGUs) containing goodwill annually and when indicators of impairment exist. Because of no activity in 2017, we completed an impairment test for our Mexico contract drilling CGU as of December 31, 2017. The test involves determining a value in use based on a multi-year discounted cash flow using assumptions on expected future results. The resulting value in use is then compared to the carrying value of the CGU. Because of this test it was determined that property, plant and equipment in our Mexico contract drilling business was impaired by US$12 million.

Foreign Exchange

We recognized a foreign exchange gain of $3 million in 2017 (2016 – $6 million loss) because the Canadian dollar strengthened in value against the U.S. dollar and this affected the net U.S. dollar denominated monetary position in our Canadian dollar-based companies.

Finance Charges

Finance charges were $138 million, a decrease of $8 million compared with 2016. The decrease is the result of a stronger Canadian dollar on our U.S. dollar denominated interest expense and a reduction in interest expense related to debt retired during the past two years.

Loss on Redemption and Repurchase of Unsecured Senior Notes

During the year we redeemed and/or repurchased US$442 million of our previously outstanding senior notes incurring a loss of $9 million.

Income Taxes

Income taxes were a recovery of $100 million, $53 million lower than the $153 million recovery booked in 2016 mainly due to higher operating results in 2017 and from the fourth quarter tax reform implemented in the U.S. reducing tax rates which reduced the benefit of our losses carried forward.

2016 COMPARED WITH 2015

Net loss in 2016 was $156 million, or $0.53 per diluted share, compared with net loss of $363 million, or $1.24 per diluted share, in 2015. In 2015 we recorded a pre-tax asset decommissioning charge, impairment of property, plant and equipment and goodwill write down totaling $466 million that increased after-tax net loss by $329 million and net loss per diluted share by $1.12.

Revenue was $1,003 million (39% lower than 2015) because of lower activity in all of our operations.

Adjusted EBITDA in 2016 was $228 million (52% lower than 2015), mainly because activity levels were lower in all of our operations. Activity, as measured by drilling utilization days, decreased 26% in Canada, 46% in the U.S., and 32% internationally compared with 2015.

Impairment

With activity and results in-line with expectations and the stabilization of commodity prices in the fourth quarter indications of impairment did not exist as of any reporting dates in 2016 with the exception of our Mexico contract drilling operations as of December 31, 2016. As a result we completed an impairment test on only the CGUs that contained goodwill and our Mexico drilling business. The tests did not result in any impairments for the year ended December 31, 2016.

As a result of continued low commodity prices and their impact on industry activity, we completed an impairment test for all of our CGUs as of December 31, 2015. As a result of these tests, it was determined that property, plant and equipment was impaired by US$73 million in our U.S. contract drilling business, by US$49 million in our international contract drilling business, and by US$26 million in our Mexico contract drilling business. From similar tests during the third quarter of 2015, it was determined that property, plant and equipment in our Canadian well service business were impaired by $73 million and property, plant and equipment in our U.S. completion and production business were impaired by $7 million. In addition, goodwill associated with our rentals cash generating unit was impaired for its full value of $17 million. These impairment adjustments were reflected in our third quarter 2015 financial statements.

Foreign Exchange

We recognized a foreign exchange loss of $6 million in 2016 (2015 – $33 million gain) because the Canadian dollar strengthened in value against the U.S. dollar and this affected the net U.S. dollar denominated monetary position in our Canadian dollar-based companies.

Finance Charges

Finance charges were $146 million, an increase of $25 million compared with 2015. The increase is the result of the recognition of $14 million of interest revenue in the comparative period related to an income tax dispute settlement, the recognition of deferred financing costs related to the early redemption of our senior unsecured notes and the impact of foreign exchange on our U.S. dollar denominated interest partly offset by a reduction in interest expense related to debt retired during the year.

Income Taxes

Income taxes were a recovery of $153 million, $50 million lower than the $203 million recovery booked in 2015 mainly due to lower operating results in 2015 from the loss on asset decommissioning and impairment charges in the year.

Segmented Results

CONTRACT DRILLING SERVICES

Financial Results

Adjusted EBITDA and operating loss are Non-GAAP measures. See page 3 for more information.

Year ended December 31 *(thousands of dollars, except where noted)*	**2017**	**% of revenue**	2016	% of revenue	2015	% of revenue
Revenue	**1,173,930**		907,821		1,457,470	
Expenses (1)						
Operating	**798,655**	**68.0**	574,104	63.2	868,467	59.6
General and administrative	**32,305**	**2.8**	34,026	3.7	42,700	2.9
Restructuring	**—**	**—**	3,040	0.3	10,909	0.7
Adjusted EBITDA(2)	**342,970**	**29.2**	296,651	32.7	535,394	36.7
Depreciation and amortization	**334,587**	**28.5**	348,005	38.3	439,261	30.1
Loss on asset decommissioning	**—**	**—**	—	—	165,109	11.3
Impairment of property, plant and equipment	**15,313**	**1.3**	—	—	202,414	13.9
Operating loss(2)	**(6,930)**	**(0.6)**	(51,354)	(5.7)	(271,390)	(18.6)

(1) Certain expenses in the prior year have been reclassified to conform to current year presentation.
(2) See Non-GAAP measures on page 3 of this report.

2017 Compared with 2016

Revenue from Contract Drilling Services was $1,174 million, 29% higher than 2016, mainly because of higher activity in all our contract drilling operations and higher average day rates in our international business partially offset by lower average day rates in North America.

In 2017, total shortfall payments in Canada and idle but contracted revenue in the U.S. were $31 million and US$6 million, compared with $29 million and US$42 million, respectively in 2016.

Operating expenses were 68% of revenue, compared with 63% in 2016. On a per utilization day basis, operating costs for our international drilling rig division were 6% higher than 2016 due to the addition of two rigs in the fourth quarter of 2016 in our Kuwait business and no activity in our Mexico business. In the U.S., operating costs on a per utilization day basis were 11% lower than 2016 because of cost saving initiatives and fixed costs spread across higher activity. In Canada, operating costs on a per utilization day basis were lower than the prior year by 8% primarily due to cost saving initiatives and fixed costs spread across higher activity. General and administrative expenses for 2017 were lower due to the strengthening Canadian dollar on our U.S. dollar denominated costs and cost saving initiatives. Restructuring costs incurred in 2016 were primarily severance related to right sizing the business for current activity levels.

Operating loss was $7 million, compared with an operating loss of $51 million in 2016. Operating results in 2017 were positively impacted by an increase in drilling activity in all of the regions in which we operate. Depreciation in the year was down from 2016 due to lower capital asset base. Operating results in 2017 were affected by the impairment of property, plant and equipment of certain drilling rigs and spare equipment. Excluding asset impairment and decommissioning charges, operating earnings would have been $8 million in 2017.

Capital expenditures in 2017 for our Contract Drilling segment were $69 million:

- $11 million – to expand our asset base
- $37 million – to upgrade existing equipment
- $21 million – on maintenance and infrastructure.

Operating Statistics

Year ended December 31	**2017**	**% increase/ (decrease)**	2016	% increase/ (decrease)	2015	% increase/ (decrease)
Number of drilling rigs (year-end)	**256**	**0.4**	255	1.6	251	(19.8)
Drilling utilization days (operating and moving)						
Canada	**18,883**	**48.4**	12,722	(26.2)	17,238	(47.5)
U.S.	**20,479**	**80.5**	11,343	(46.4)	21,172	(39.6)
International	**2,920**	**4.8**	2,786	(31.8)	4,084	1.2
Drilling revenue per utilization day						
Canada (Cdn$)	**21,143**	**(13.7)**	24,509	(9.1)	26,976	6.0
U.S. (US$)	**19,861**	**(24.0)**	26,145	(2.2)	26,728	6.3
International (US$)	**50,240**	**9.8**	45,753	5.2	43,491	(0.9)
Drilling statistics (Canadian operations only)						
Wells drilled	**1,729**	**79.7**	962	(28.8)	1,351	(56.3)
Average days per well	**9.7**	**(17.1)**	11.7	2.6	11.4	21.3
Metres drilled (hundreds)	**4,597**	**80.4**	2,548	(21.0)	3,224	(45.0)
Average metres per well	**2,659**	**0.4**	2,649	11.0	2,386	25.8

Canadian Drilling

Revenue from Canadian drilling was $399 million, 28% higher than 2016. Drilling rig activity, as measured by utilization days, was up 48% while average day rates were down 14%.

Adjusted EBITDA was $142 million, 15% higher than 2016, because of higher drilling activity offset by lower average day rates.

Depreciation expense for the year was $114 million in-line with 2016.

Drilling Statistics – Canada

In 2017, we transferred one drilling rig from the U.S. to Canada, bringing our Canadian 2017 year-end net rig count to 136 (2016 –135).

The industry drilling rig fleet has decreased – there were approximately 627 rigs at the end of 2017 compared with 668 at the end of 2016. Our operating day utilization was 34% (2016 – 22%), compared with industry utilization of 29% (2016 – 17%).

U.S. Drilling

Revenue from U.S. drilling was US$407 million, 37% higher than 2016. Drilling rig activity, as measured by utilization days, was up 81% while average revenue per day was down 24%.

Adjusted EBITDA was US$106 million, 4% higher than 2016, mainly because of higher industry activity offset by lower average day rates and lower idle but contracted revenue.

Depreciation expense for the year was US$121 million, US$5 million lower than 2016 because of a lower capital asset base.

Drilling Statistics – U.S.

In 2017, we completed one new-build rig and transferred one rig to Canada leaving our U.S. year-end net rig count unchanged at 103. In 2017, we averaged 56 rigs working, an 81% increase from 31 rigs in 2016. The industry drilling fleet increased as well, averaging 856 active land rigs in 2017, up 76% from 486 rigs in 2016.

Our average dayrates in the U.S. decreased 24% in 2017 as legacy contracts expired and newly contracted rigs were at lower day rates. Revenue from idle but contracted rigs was US$35 million less than 2016. Turnkey utilization days decreased 24% over 2016 and accounted for approximately 2% of our revenue compared with 5% in 2016.

Drilling Statistics – U.S.

	2017		2016		2015	
	Precision	**Industry (1)**	Precision	Industry (1)	Precision	Industry (1)
Average number of active land rigs for quarters ended:						
March 31	**47**	**722**	32	516	80	1,353
June 30	**59**	**874**	24	397	57	873
September 30	**61**	**927**	29	465	51	829
December 31	**58**	**902**	39	567	45	720
Annual average	**56**	**856**	31	486	58	944

(1) Source: Baker Hughes

COMPLETION AND PRODUCTION SERVICES

Financial Results

Adjusted EBITDA and operating loss are Non-GAAP measures. See page 3 for more information.

Year ended December 31						
(thousands of dollars, except where noted)	**2017**	**% of revenue**	2016	% of revenue	2015	% of revenue
Revenue	**154,146**		100,049		186,317	
Expenses(1)						
Operating	**134,368**	**87.2**	92,248	93.0	162,046	87.0
General and administrative	**7,890**	**5.1**	9,429	8.6	10,398	5.6
Restructuring	**—**	**—**	2,021	2.0	3,634	2.0
Adjusted EBITDA(2)	**11,888**	**7.7**	(3,649)	(3.6)	10,239	5.5
Depreciation and amortization	**29,638**	**19.2**	29,272	29.3	32,396	17.4
Gain on re-measurement of property, plant and equipment	**—**	**—**	(7,605)	n/m	—	—
Loss on asset decommissioning	**—**	**—**	—	—	1,377	0.7
Impairment of property, plant and equipment	**—**	**—**	—	—	79,573	42.7
Operating loss(2)	**(17,750)**	**(11.5)**	(25,316)	(25.3)	(103,107)	(55.3)

(1) Certain expenses in the prior year have been reclassified to conform to current year presentation.
(2) See Non-GAAP Measures on page 3 of this report.
n/m – calculation not meaningful

Revenue from Completion and Production Services was $154 million in 2017, 54% higher than 2016, mainly because of higher activity across all our product lines.

Operating loss was $18 million in 2017, compared with a loss of $25 million in 2016. The decrease in our operating loss was because of higher activity in all our product lines partially offset by moderately lower average rates resulting from a highly competitive market.

Operating expenses were 87% of revenue, 6% points lower than 2016, mainly because of higher activity over fixed costs.

Depreciation in 2017 was in-line with the prior year.

Capital expenditures in 2017 for our Completions and Production segment were $5 million:
- $2 million – to expand our asset base
- $3 million – on maintenance and infrastructure.

In December 2016 we acquired 48 well service rigs and ancillary equipment in a business acquisition for consideration of $12 million and our coil tubing assets and associated equipment.

Revenue from Precision Well Servicing in Canada was $98 million, up $41 million from 2016 as activity was up 71% and average revenue rates were in-line with the prior year.

Revenue from our U.S. based completion andproduction businesses was US$12 million, 39% higher than 2016. The increase was the result of both higher activity and average rates.

Revenue from Precision Rentals was $23 million, 18% higher than 2016. The increase was due to higher activity partially offset by slightly lower average revenue rates.

Revenue from Precision Camp Services was $13 million, 103% higher than 2016, because of an increase in camp activity. Precision operated four base camps and 43 drill camps during 2017.

Operating Results

Year ended December 31	**2017**	**% increase/ (decrease)**	2016	% increase/ (decrease)	2015	% increase/ (decrease)
Number of service rigs (end of year)	**210**	**1.4**	207	(27.0)	163	(7.9)
Service rig operating hours	**172,848**	**73.8**	99,451	(33.5)	149,574	(45.2)
Revenue per operating hour	**637**	**(1.4)**	646	(17.6)	784	(13.6)

In December 2016, we acquired 48 well service rigs for consideration of $12 million and our coil tubing assets and associated equipment.

Service rig hours increased 74% due to the December 2016 acquisition and increased industry activity. Service rig rates were in-line with the prior year.

CORPORATE AND OTHER

Financial Results

Adjusted EBITDA and operating loss are Non-GAAP measures. See page 3 for more information.

Year ended December 31 *(thousands of dollars, except where noted)*	**2017**	2016	2015
Revenue	**—**	—	—
Expenses			
Operating	**—**	—	—
General and administrative	**49,877**	64,234	65,668
Restructuring	—	693	6,100
Adjusted EBITDA(1)	**(49,877)**	(64,927)	(71,768)
Depreciation and amortization	**13,521**	14,382	14,998
Operating loss(1)	**(63,398)**	(79,309)	(86,766)

(1) See Non-GAAP Measures on page 3 of this report.

Our Corporate and Other segment has support functions that provide assistance to our other business segments. It includes costs incurred in corporate groups in both Canada and the U.S.

Corporate and Other expenses were $50 million in 2017, $14 million less than 2016. The decrease is mainly related to lower share-based incentive compensation expense and foreign exchange translation on U.S. dollar based costs. In 2017, corporate general and administrative costs were 3.8% of consolidated revenue compared with 6.4% in 2016 and 4.0% in 2015.

Quarterly Financial Results

Adjusted EBITDA and funds provided by (used in) operations are Non-GAAP measures. See page 3 for more information.

2017 – Quarters Ended *(thousands of dollars, except per share amounts)*	**March 31**	**June 30**	**September 30**	**December 31**
Revenue	**368,673**	**290,860**	**314,504**	**347,187**
Adjusted EBITDA(1)	**84,308**	**56,520**	**73,239**	**90,914**
Net loss	**(22,614)**	**(36,130)**	**(26,287)**	**(47,005)**
per basic and diluted share	**(0.08)**	**(0.12)**	**(0.09)**	**(0.16)**
Funds provided by (used in) operations(1)	**85,659**	**(15,187)**	**85,140**	**28,323**
Cash provided by (used in) operations	**33,770**	**2,739**	**56,757**	**23,289**

(1) See Non-GAAP measures on page 4 of this report.

2016 – Quarters Ended *(thousands of dollars, except per share amounts)*	March 31	June 30	September 30	December 31
Revenue	316,505	170,407	213,668	302,653
Adjusted EBITDA(1)	99,264	22,400	41,411	65,000
Net loss	(19,883)	(57,677)	(47,377)	(30,618)
per basic and diluted share	(0.07)	(0.20)	(0.16)	(0.10)
Funds provided by (used in) operations(1)	93,593	(31,372)	31,688	11,466
Cash provided by (used in) operations	112,174	20,665	17,515	(27,846)

(1) See Non-GAAP measures on page 3 of this report.

Seasonality

Drilling and well servicing activity is affected by seasonal weather patterns and ground conditions. In northern Canada, some drilling sites can only be accessed in the winter once the terrain is frozen, which is usually late in the fourth quarter. As a result activity peaks in the winter, in the fourth and first quarters. In the spring, wet weather and the spring thaw in Canada and the northern U.S. make the ground unstable. Government road bans restrict the movement of rigs and other heavy equipment, reducing activity in the second quarter. This leads to quarterly fluctuations in operating results and working capital requirements.

Fourth Quarter 2017 Compared with Fourth Quarter 2016

In the fourth quarter of 2017, we recorded a net loss of $47 million, or net loss per diluted share of $0.16, compared with a net loss of $31 million, or a net loss of $0.10 per diluted share, in the fourth quarter of 2016. During the current quarter we incurred an asset impairment charge for $15 million, related to our Mexico contract drilling business, that after tax increased our net loss by $12 million and net loss per diluted share by $0.04.

Revenue in the fourth quarter was $347 million or 15% higher than the fourth quarter of 2016, mainly due to increased activity in our North American based business partially offset by a decrease in our average day rate in our U.S. contract drilling business and no utilization in our Mexico based contract drilling business. Compared with the fourth quarter of 2016 our activity, as measured by drilling rig utilization days, increased by 6% in Canada and 50% in the U.S. and decreased by 1% internationally. Revenue from our Contract Drilling Services and Completion and Production Services segments both increased over the comparative prior year period by 13% and 32%, respectively.

Adjusted EBITDA this quarter was $91 million, an increase of $26 million from the fourth quarter of 2016. Our Adjusted EBITDA as a percentage of revenue was 26% this quarter, compared with 21% in the fourth quarter of 2016. The increase in Adjusted EBITDA as a percent of revenue was mainly due to fixed costs spread over higher activity in our North American businesses partially offset by lower average pricing in our U.S. contract drilling business.

As a percentage of revenue, operating costs were 67% in the fourth quarter of 2017 compared with 68% in the same quarter of 2016. The decrease is primarily due to the impact of higher activity on fixed costs partially offset by lower average day rates in our U.S. contract drilling business. Our portfolio of term customer contracts and a highly variable operating cost structure, helped us manage our Adjusted EBITDA margin.

Contract Drilling Services

Revenue from Contract Drilling Services was $309 million this quarter, or 13% higher than the fourth quarter of 2016, while adjusted EBITDA increased by 16% to $100 million. The increase in revenue was primarily due to higher utilization days in Canada and the U.S. During the quarter we recognized $13 million in shortfall payments in our Canadian contract drilling business, which was $1 million higher than in the prior year. In the U.S. we recognized idle but contracted revenue of US$1 million in the quarter compared with US$5 million in the comparative period and current period turnkey revenue of US$3 million with no revenue in the comparative quarter of 2016.

Drilling rig utilization days in Canada (drilling days plus move days) were 4,938 during the fourth quarter of 2017, an increase of 6% compared to 2016 primarily due to the increase in industry activity resulting from higher oil prices. Drilling rig utilization days in the U.S. were 5,365, or 50% higher than the same quarter of 2016 as U.S. activity was up with higher industry activity. Drilling rig utilization days in our international businesses were 736 or 1% lower than the same quarter of 2016 due to no activity in Mexico in the fourth quarter of 2017.

Compared with the same quarter in 2016, drilling rig revenue per utilization day was up 1% in Canada due to higher average spot market rates partially offset by fewer legacy contracts. Drilling rig revenue per utilization day for the quarter in the U.S. and international were each down 5% from the prior comparative period. The decrease in the U.S. average day rate was due to long-term contracts ending and rigs being re-contracted at lower spot market rates, lower idle but contracted revenue partially offset by an increase in turnkey activity in the current quarter and strengthening spot market rates. International revenue per utilization day was down due to demobilization revenue received in Mexico in the fourth quarter of 2016.

In Canada, 13% of our utilization days in the quarter were generated from rigs under term contract, compared with 35% in the fourth quarter of 2016. In the U.S., 55% of utilization days were generated from rigs under term contract as compared with 56% in the fourth quarter of 2016.

Operating costs were 65% of revenue for the quarter which was in-line with the prior year period. On a per utilization day basis, operating costs for the drilling rig division in Canada were slightly higher than the prior year period primarily due to timing of equipment certifications. In the U.S., operating costs for the quarter on a per day basis were lower than the prior year period primarily due to fixed costs spread over higher utilization and lower lump sum move costs partially offset by turnkey work and higher repair costs for rig activations. Both Canada and U.S. operating costs benefited from cost saving initiatives taken in 2015 and 2016.

Depreciation expense in the quarter was 9% lower than in the fourth quarter of 2016.

Completion and Production Services

Revenue from Completion and Production Services was up $10 million or 32% compared with the fourth quarter of 2016 due to higher activity levels. As oil prices have recovered, customers have increased spending and activity in well completion and production programs. Our well servicing activity in the quarter was up 34% from the fourth quarter of 2016 as a result of improved industry activity levels and a larger fleet following the acquisition of service rigs late in the fourth quarter of 2016. Approximately 96% of our fourth quarter Canadian service rig activity was oil related.

During the quarter, Completion and Production Services generated 92% of its revenue from Canadian operations and 8% from U.S. operations compared with 88% from Canada and 12% from U.S. operations in the fourth quarter of 2016.

Average service rig revenue per operating hour in the quarter was $644 or $15 higher than the fourth quarter of 2016. The increase was primarily the result of increased labour costs which were passed through to the customer.

Adjusted EBITDA was $2 million higher than the fourth quarter of 2016 due to increased activity in the segment.

Operating costs as a percentage of revenue decreased to 88% in the fourth quarter of 2017, from 92% in the fourth quarter of 2016. The decrease is the result of the impact of fixed costs spread across greater activity combined with our reduced cost structure.

While we were successful in 2017 in reducing our fixed costs, margins in our Completion and Production Services have been challenged primarily due to intense pricing pressure, repair and maintenance as well as labor costs associated with service rig reactivations.

Depreciation in the quarter was $8 million in-line with the previous year comparative period

Corporate and Other

Our Corporate and Other segment provides support functions to our operating segments. The Corporate and Other segment had an adjusted EBITDA loss of $12 million a decrease of $10 million compared with the fourth quarter of 2016 primarily due to higher share-based incentive compensation.

Net financial charges for the quarter were $38 million, a decrease of $4 million compared with the fourth quarter of 2016 primarily because of a stronger Canadian dollar and its impact on our U.S. dollar denominated interest expense and a reduction in interest expense related to debt retired in 2016.

During the quarter, we redeemed and/or repurchased US$442 million of our previously outstanding senior notes incurring a loss on redemption of $9 million. For the current quarter, we incurred a foreign exchange gain of $2 million in-line with the fourth quarter of 2016.

Income tax expense for the quarter was a recovery of $17 million compared with a recovery of $51 million in the same quarter in 2016. The recoveries are due to negative pretax earnings. During the quarter the U.S. implemented tax reform legislation reducing tax rates which reduced the benefit of our losses carried forward.

Capital expenditures were $25 million in the fourth quarter compared with $45 million in the fourth quarter of 2016. Spending in the fourth quarter of 2017 included:

- $1 million – to expand our asset base
- $3 million – to upgrade existing equipment
- $14 million – on maintenance and infrastructure
- $7 million – on intangibles.

Financial Condition

The oilfield services business is inherently cyclical. To manage this variability, we focus on maintaining a strong balance sheet so we have the financial flexibility we need to continue to manage our capital expenditures and cash flows, no matter where we are in the business cycle.

We apply a disciplined approach to managing and tracking the results of our operations to keep costs down. We maintain a scalable cost structure so we can be responsive to changing competition and market demand. We also invest in our fleet to make sure we remain competitive. Our maintenance capital expenditures are tightly governed by and highly responsive to activity levels with additional cost savings leverage provided through our internal manufacturing and supply divisions. Term contracts on expansion capital for new-build rig programs help provide more certainty of future revenues and return on our growth capital investments.

LIQUIDITY

On November 21, 2017 we agreed with our lenders to the following amendments to our senior credit facility:

- reduce the Covenant EBITDA (as defined in the debt agreement) (See Non-GAAP Measures on page 3 of this report) to interest expense coverage ratio to greater than or equal to 2.0:1 for the periods ending June 30, September 30, and December 31, 2018 and March 31, 2019 reverting to 2.5:1 thereafter
- reduced the size of the facility to US$500 million
- extend the maturity date of the facility to November 21, 2021
- amend certain negative covenants, to among other things, permit the redemption and repurchase of junior debt on a permanent basis subject to a pro forma senior net leverage covenant test of less than or equal to 1.75:1
- add a new covenant that permits distributions post the covenant relief period subject to a pro forma senior net leverage covenant of less than or equal to 1.75:1.

On January 20, 2017 we agreed with our lenders to the following amendments to our senior credit facility:

- reduce the Covenant EBITDA (as defined in the debt agreement) to interest expense coverage ratio to greater than or equal to 1.25:1 for the periods ending March 31, June 30 and September 30, 2017. For the periods ending December 31, 2017 and March 31, 2018 the ratio is 1.5:1 reverting to 2.5:1 thereafter
- reduce the size of the facility to US$525 million.

On November 22, 2017, we issued US$400 million of 7.125% senior notes due in 2026 in a private offering. These notes are guaranteed on a senior unsecured basis by current and future U.S. and Canadian subsidiaries that also guarantee our Senior Credit Facility and certain other indebtedness. These notes were issued to redeem and repurchase existing debt.

On November 22, 2017 we also repurchased pursuant to an early tender offer US$310 million of our 6.625% unsecured senior notes due 2020 and US$70 million of our 6.5% unsecured senior notes due 2021 for US$387 plus accrued and unpaid interest incurring a loss on the repurchase of US$6 million.

On December 7, 2017 we redeemed our remaining outstanding 6.625% unsecured senior notes due 2020 for US$62 million plus accrued and unpaid interest incurring a loss on redemption of US$1 million.

During 2016 we repurchased and cancelled US$28 million face value of our 6.625% unsecured senior notes due 2020 and US$81 million face value of our 6.5% unsecured senior notes due 2021, realizing a total gain on repurchase of $10 million.

On November 4, 2016, we issued US$350 million of 7.75% senior notes due in 2023 in a private offering. The Notes are guaranteed on a senior unsecured basis by current and future U.S. and Canadian subsidiaries that also guarantee our Senior Credit Facility and certain other indebtedness. The Notes were issued to redeem and repurchase existing debt.

On December 4, 2016 we also redeemed in full our $200 million 6.5% unsecured senior notes due 2019 for $203 million plus accrued and unpaid interest and redeemed on a pro rata basis US$250 million of our then outstanding 6.625% unsecured senior notes due 2020 for US$256 million plus accrued and unpaid interest incurring a loss on redemption of $11 million.

As of December 31, 2017, our liquidity was supported by a cash balance of $65 million, our Senior Credit Facility of US$60 million, operating facilities totaling approximately $59 million, and a US$30 million secured facility for letters of credit. Our ability to draw on our Senior Credit Facility is governed by financial covenants. See *Capital Structure – Covenants* on page 37.

We expect that cash provided by operations and our sources of financing, including our Senior Credit Facility, will be sufficient to meet our debt obligations and to fund future capital expenditures.

At December 31, 2017, including letters of credit, we had approximately $1,822 million (2016 – $2,020 million) outstanding under our secured and unsecured credit facilities and $28 million in unamortized debt issue costs. Our Senior Credit Facility includes financial ratio covenants that are tested quarterly.

Key Ratios

We ended 2017 with a long-term debt to long-term debt plus equity ratio of 0.5, and a ratio of long-term debt to cash provided by operations of 14.8.

We ended 2017 with a long-term debt to long-term debt plus equity ratio of 0.5 (2016 – 0.5) and a ratio of long-term debt to cash provided by operations of 14.8 (2016 – 15.6).

The current blended cash interest cost of our debt is about 6.6%.

Ratios and Key Financial Indicators

We evaluate the relative strength of our financial position by monitoring our working capital, debt ratios and liquidity.

We also monitor returns on capital, and we link our executives' incentive compensation to the returns to our shareholders relative to the shareholder returns of our peers.

Financial Position and Ratios

(in thousands of dollars, except ratios)	**December 31, 2017**	December 31, 2016	December 31, 2015
Working capital(1)	**232,121**	230,874	536,815
Working capital ratio	**2.10**	2.0	3.2
Long-term debt	**1,730,437**	1,906,934	2,180,510
Total long-term financial liabilities	**1,754,059**	1,946,742	2,210,231
Total assets	**3,892,931**	4,324,214	4,878,690
Enterprise value (see table on page 40)	**2,782,596**	3,937,737	3,337,980
Long-term debt to long-term debt plus equity	**0.5**	0.5	0.5
Long-term debt to cash provided by operations	**14.8**	15.6	4.2
Long-term debt to Adjusted EBITDA	**5.7**	8.4	4.6
Long-term debt to enterprise value	**0.6**	0.5	0.7

(1) See Non-GAAP measures on page 3 of this report.

Credit Rating

Credit ratings affect our ability to obtain short and long-term financing, the cost of this financing, and our ability to engage in certain business activities cost-effectively. In November 2017 we initiated rating coverage with Fitch which issued a corporate credit rating of B+, senior credit facility rating of BB+, and a senior unsecured rating of BB-. In March, 2016, Moody's downgraded our corporate credit rating from Ba2 to B2 and senior unsecured credit rating from Ba2 to B3 and, S&P downgraded our corporate rating from BB+ to BB.

	Moody's	S&P	Fitch
Corporate credit rating	B2	BB	B+
Senior Credit Facility rating	Not rated	Not rated	BB+
Senior unsecured credit rating	B3	BB	BB-

CAPITAL MANAGEMENT

To maintain and grow our business, we invest in growth, upgrade and sustaining capital. We base expansion and upgrade capital decisions on return on capital employed and payback, and we mitigate the risk that we may not be able to fully recover our capital by requiring two- to five-year term contracts for new-build rigs.

We base our maintenance capital decisions on actual activity levels, using key financial indicators that we express as per operating day or per operating hour. Sourcing internally (through our manufacturing and supply divisions) helps keep our maintenance capital costs as low as possible.

Foreign Exchange Risk

Our U.S. and international operations have revenue, expenses, assets and liabilities denominated in currencies other than the Canadian dollar (mostly in U.S. dollars and currencies that are pegged to the U.S. dollar). This means that changes in currency exchange rates can materially affect our income statement, balance sheet and statement of cash flow. We manage this risk by matching the currency of our debt obligations with the currency of cash flows generated by the operations that the debt supports.

Hedge of Investments in Foreign Operations

We utilize foreign currency long-term debt to hedge our exposure to changes in the carrying values of our net investment in certain foreign operations as a result of changes in foreign exchange rates.

Effective November 22, 2017, we included the US$400 million of 7.125% senior notes due in 2026 as a designated hedge of our investment in our U.S. dollar denominated foreign operations, and now all of our U.S. dollar senior notes are designated as a net investment hedge.

To be accounted for as a hedge, the foreign currency denominated long-term debt must be designated and documented as such and must be effective at inception and on an ongoing basis. We recognize the effective amount of this hedge (net of tax) in other comprehensive income. We recognize ineffective amounts in earnings.

SOURCES AND USES OF CASH

At December 31 *(thousands of dollars)*	**2017**	2016	2015
Cash from operations	**116,555**	122,508	517,016
Cash used in investing	**(91,150)**	(213,925)	(541,102)
Surplus (deficit)	**25,405**	(91,417)	(24,086)
Cash used in financing	**(73,784)**	(218,324)	(84,044)
Effect of exchange rate changes on cash	**(2,245)**	(19,313)	(61,408)
Net cash used	**(50,624)**	(329,054)	(46,722)

Cash from Operations

In 2017, we generated cash from operations of $117 million compared with $123 million in 2016. The decrease is primarily the result of an increase in non-cash working capital.

Investing Activity

We made growth and sustaining capital investments of $98 million in 2017:

- $12 million on expansion capital
- $37 million on upgrade capital
- $26 million on maintenance and infrastructure capital
- $23 million on intangibles.

The $98 million in capital expenditures in 2017 was split between segments as follows:

- $69 million in Contract Drilling Services
- $5 million in Completion and Production Services
- $24 million in Corporate and Other.

Expansion and upgrade capital includes the cost of long-lead items purchased for our capital inventory, such as integrated top drives, drill pipe, control systems, engines and other items we can use to complete new-build projects or upgrade our rigs in North America and internationally.

We sold underutilized capital assets for proceeds of $15 million in 2017 compared with $8 million in 2016.

Financing Activity

As discussed on page 34 during the year we issued US$400 million of senior notes, redeemed US$62 million of senior notes and repurchased and cancelled US$380 million of senior notes.

During 2016 we issued US$350 million of senior notes, redeemed US$250 million and $200 million of senior notes and repurchased and cancelled US$109 million of senior notes.

In April 2016, we reduced the size of our demand facility for letters of credit with HSBC Canada to US$30 million to align with our expected requirements for this facility.

As of December 31, 2017, our operating facility of $40 million with Royal Bank of Canada was undrawn except for $21 million in outstanding letters of credit; our operating facility of US$15 million with Wells Fargo remained undrawn; and our demand facility for letters of credit of US$30 million with HSBC Canada had US$17 million available.

CAPITAL STRUCTURE

Debt

As of December 31, 2017, we had a cash balance of $65 million and available capacity under our secured facilities of $661 million.

As of December 31, 2017, we had $1,759 million outstanding under our senior unsecured notes.

Amount	Availability	Used for	Maturity
Senior facility (secured)			
US$500 million (extendible, revolving term credit facility with US$250 million(1) accordion feature)	Undrawn, except US$21 million in outstanding letters of credit	General corporate purposes	November 21, 2021
Operating facilities (secured)			
$40 million	Undrawn, except $21 million in outstanding letters of credit	Letters of credit and general corporate purposes	
US$15 million	Undrawn	Short term working capital requirements	
Demand letter of credit facility (secured)			
US$30 million	Undrawn, except US$13 million in outstanding letters of credit	Letters of credit	
Senior notes (unsecured)			
US$249 million – 6.5%	Fully drawn	Capital expenditures and general corporate purposes	December 15, 2021
US$350 million – 7.75%	Fully drawn	Debt redemption and repurchases	December 15, 2023
US$400 million – 5.25%	Fully drawn	Capital expenditures and general corporate purposes	November 15, 2024
US$400 million – 7.125%	Fully drawn	Debt redemption and repurchases	January 15, 2026

(1) Increases to US$300 million at the end of the covenant relief period of March 31, 2019.

Covenants

Senior Credit Facility

The Senior Credit Facility requires that we comply with certain financial covenants including a leverage ratio of consolidated senior debt to earnings before interest, taxes, depreciation and amortization as defined in the agreement (Covenant EBITDA) of less than or equal to 2.5:1. For purposes of calculating the leverage ratio, consolidated senior debt only includes secured indebtedness. Covenant EBITDA as defined in our Senior Credit Facility agreement differs from Adjusted EBITDA as defined

under Non-GAAP Measures by the exclusion of bad debt expense and certain foreign exchange amounts. As of December 31, 2017, our consolidated senior debt to Adjusted EBITDA ratio was 0.12:1.

Under the Senior Credit Facility, we are required to maintain an Covenant EBITDA coverage ratio, calculated as Covenant EBITDA to interest expense for the most recent four consecutive fiscal quarters, of greater than or equal to 1.5:1, which, after the January 2017 amendment, reduced to 1.25:1 for the periods ending March 31, June 30 and September 30, 2017, and increased to 1.5:1 for the periods ending December 31, 2017 and March 31, 2018 and pursuant to the November 2017 amendment increases to 2.0:1 for the periods June 30, September 30, December 31, 2018 and March 31, 2019 and reverts to 2.5:1 for periods ending after March 31, 2019 until the maturity date of the facility. As of December 31, 2017, our Covenant EBITDA coverage ratio was 2.22:1.

The Senior Credit Facility prevents us from making distributions prior to April 1, 2019, after which, distributions are subject to a pro forma senior net leverage covenant of less than or equal to 1.75:1. The Senior Credit Facility also limits the redemption and repurchase of junior debt subject to a pro forma senior net leverage covenant test of less than or equal to 1.75:1.

In addition, the Senior Credit Facility contains certain covenants that place restrictions on our ability to incur or assume additional indebtedness; dispose of assets; pay dividends, share redemptions or other distributions; change our primary business; incur liens on assets; engage in transactions with affiliates; enter into mergers, consolidations or amalgamations; and enter into speculative swap agreements.

At December 31, 2017, we were in compliance with the covenants of the Senior Credit Facility.

Senior Notes

The senior notes require that we comply with certain covenants including an incurrence based consolidated interest coverage ratio test, as defined in the senior note agreements, of greater than or equal to 2.0:1 for the most recent four consecutive fiscal quarters. In the event that our consolidated interest coverage ratio is less than 2.0:1 for the most recent four consecutive fiscal quarters the senior notes restrict our ability to incur additional indebtedness, except as permitted under the agreements, until such time as we are in compliance with the ratio test but would not restrict our access to available funds under the Senior Credit Facility or refinance our existing debt. Furthermore, it does not give rise to any cross-covenant violations, give the lenders the right to demand repayment of any outstanding portion of the senior notes prior to the stated maturity dates, or provide any other forms of recourse to the lenders. As of December 31, 2017, our senior notes consolidated interest coverage ratio was 2.16:1.

The senior notes contain a restricted payments covenant that limits our ability to make payments in the nature of dividends, distributions and repurchases from shareholders. The restricted payments basket grows from a starting point of October 1, 2010 for the 2021 and 2024 Senior Notes, from October 1, 2016 for the 2023 Senior Note and October 1, 2017 for the 2026 Senior Note by, among other things, 50% of cumulative consolidated net earnings, and decreases by 100% of cumulative consolidated net losses as defined in the note agreements, and cumulative payments made to shareholders. Based on our consolidated financial results for the period ended December 31, 2015, the governing net restricted payments basket under the senior notes was negative $152 million prohibiting us from making any further dividend payments for dividends declared on or after December 31, 2015 until the restricted payments baskets become positive. As a result, Precision suspended our dividend on February 11, 2016.

Based on our consolidated financial results for the period ended December 31, 2017, the governing net restricted payments basket was negative $213 million.

For further information, please see the senior note indentures which are available on SEDAR and EDGAR.

In addition, the senior notes contain certain covenants that limit our ability, and the ability of certain subsidiaries, to incur additional indebtedness and issue preferred shares; create liens; create or permit to exist restrictions on our ability or certain subsidiaries to make certain payments and distributions; engage in amalgamations, mergers or consolidations; make certain dispositions and engage in transactions with affiliates.

Shelf Registration

In August 2016, we completed the filing of a short form base shelf prospectus with the securities regulatory authorities in each of the provinces of Canada and a corresponding registration statement in the U.S., for the offering of up to $1 billion of common shares, preferred shares, debt securities, warrants, subscription receipts or units (the **Securities**). The Securities may be offered from time to time during the 25-month period for which the short form base shelf prospectus remains valid.

Contractual Obligations

Our contractual obligations include both financial obligations (long-term debt and interest) and non-financial obligations (new-build rig commitments, operating leases, and equity-based compensation for key executives and officers).

The table below shows the amounts of these obligations and when payments are due for each.

At December 31, 2017 *(thousands of dollars)*	Payments due (by period)				
	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total
Long-term debt[1]	—	—	312,601	1,445,918	1,758,519
Interest on long-term debt[1]	116,661	233,322	212,157	191,185	753,325
Purchase of property, plant and equipment[1][2]	5,187	109,469	18,244	—	132,900
Operating leases[1]	12,248	15,627	11,818	21,909	61,602
Contractual incentive plans[1][3]	8,658	19,000	—	—	27,658
Total	142,754	377,418	554,820	1,659,012	2,734,004

(1) U.S. dollar denominated balances are translated at the period end exchange rate of Cdn$1.00 equals US$0.7953.
(2) The balance relates primarily to the costs of rig equipment with a flexible delivery schedule wherein we can take delivery of the equipment between 2018 and 2021 at our discretion.
(3) Includes amounts we have not yet accrued but are likely to pay at the end of the contract term. Our long-term incentive plans compensate officers and key employees through cash payments when their awards vest. Equity-based compensation amounts are shown based on the five-day weighted average share price on the TSX of $3.68 at December 31, 2017.

Shareholders Capital

	March 9, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Shares outstanding	293,238,858	293,238,858	293,238,858	292,912,090
Deferred shares outstanding	195,743	195,743	195,743	195,743
Share options outstanding	11,577,331	10,458,981	11,525,742	10,750,833

You can find more information about our capital structure in our AIF, available on our website and on SEDAR.

Common Shares

Our articles of amalgamation allow us to issue an unlimited number of common shares.

In the fourth quarter of 2012, our Board of Directors approved the introduction of an annualized dividend of $0.20 per common share, payable quarterly. In the fourth quarter of 2013, our Board of Directors approved an increase in the quarterly dividend payment to $0.06 per common share and in the fourth quarter of 2014, our Board of Directors approved an increase in the quarterly dividend to $0.07 per common share.

In the first quarter of 2016, we suspended our quarterly dividend. See *Covenants – Senior Notes* on page 38 for more information.

Preferred Shares

We can issue preferred shares in one or more series. The number of preferred shares that may be authorized for issue at any time cannot exceed more than half of the number of issued and outstanding common shares. We currently have no preferred shares issued.

Enterprise Value

(thousands of dollars, except shares outstanding and per share amounts)	**December 31, 2017**	December 31, 2016	December 31, 2015
Shares outstanding	**293,238,858**	293,238,858	292,912,090
Year-end share price on the TSX	**3.81**	7.32	5.47
Shares at market	**1,117,240**	2,146,508	1,602,229
Long-term debt	**1,730,437**	1,906,934	2,180,510
Less cash	**(65,081)**	(115,705)	(444,759)
Enterprise value	**2,782,596**	3,937,737	3,337,980

Accounting Policies and Estimates

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Because of the nature of our business, we are required to make estimates about the future that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Estimates are based on our past experience, our best judgment and assumptions we think are reasonable.

Our significant accounting policies are described in Note 3 to the Consolidated Financial Statements. We believe the following are the most difficult, subjective or complex judgments, and are the most critical to how we report our financial position and results of operations:

- impairment of long-lived assets
- depreciation and amortization
- income taxes.

Impairment of Long-Lived Assets

Long-lived assets, which include property, plant and equipment, intangibles and goodwill, comprise the majority of our assets. The carrying value of these assets is reviewed for impairment periodically or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For property, plant and equipment, this requires us to forecast future cash flows to be derived from the utilization of these assets based on assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

For goodwill, we conduct impairment tests annually in the fourth quarter or whenever there is a change in circumstance that indicates that the carrying value may not be recoverable. The recoverability of goodwill requires a calculation of the recoverable amount of the CGU or groups of CGUs to which goodwill has been allocated. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Judgment is required in the aggregation of assets into CGUs. The recoverability calculation requires an estimation of the future cash flows from the CGU or group of CGUs, and judgment is required in projecting cash flows and selecting the appropriate discount rate. We use observable market data inputs to develop a discount rate that we believe approximates the discount rate from market participants.

In deriving the underlying projected cash flows, assumptions must also be made about future drilling activity, margins and market conditions over the long-term life of the assets or CGUs. We cannot predict if an event that triggers impairment will occur, when it will occur or how it will occur, or how it will affect reported asset amounts. Although we believe the estimates are reasonable and consistent with current conditions, internal planning, and expected future operations, such estimations are subject to significant uncertainty and judgment.

Depreciation and Amortization

Our property, plant and equipment and intangible assets are depreciated and amortized based on estimates of useful lives and salvage values. These estimates consider data and information from various sources, including vendors, industry practice, and our own historical experience, and may change as more experience is gained, market conditions shift, or new technological advancements are made.

Determination of which parts of the drilling rig equipment represent a significant cost relative to the entire rig and identifying the consumption patterns along with the useful lives of these significant parts are matters of judgment. This determination can be complex and subject to differing interpretations and views, particularly when rig equipment comprises individual components for which different depreciation methods or rates are appropriate.

Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded. We establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which we operate. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

AMENDMENTS TO ACCOUNTING STANDARDS ADOPTED JANUARY 1, 2017

We applied the following mandatorily effective amendments to IFRSs in the current year. Outside of additional disclosure requirements, these amendments had no impact on the amounts recorded in our financial statements.

Amendments to IAS 7 Disclosure Initiative

These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Our liabilities arising from financing activities consist entirely of long-term debt. A reconciliation between opening and closing balances of long-term debt has been provided in Note 11. Consistent with the transition provisions of the amendments, we have not disclosed comparative information for the prior year.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

These amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS NOT YET EFFECTIVE

IFRS 9, Financial Instruments

Effective for annual periods beginning on or after January 1, 2018, IFRS 9 replaces IAS 39 Financial Instruments, Recognition and Measurement. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and the characteristics of its contractual cash flows. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset under the standard are never separated. Instead the hybrid financial instrument as a whole is assessed for classification.

For us, accounts receivable will continue to be classified and measured at amortized cost. Accounts payable and accrued liabilities and long-term debt will also continue to be classified and measured at amortized cost.

Impairment

IFRS 9 replaces the incurred loss model of IAS 39 with an expected credit loss model. The loss allowance to be recorded against trade receivables is measured as the lifetime expected credit losses. As we have very short credit periods for trade receivables, we do not expect a material adjustment to our allowance for credit losses.

Hedge accounting

IFRS 9 requires entities to ensure its hedge accounting relationships align with its risk management objectives and strategies and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. This may allow for more types of instruments and risk components to qualify for hedge accounting.

We do not expect the application of the hedge accounting requirements under IFRS 9 to have a material impact on our consolidated financial statements.

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of our disclosures about financial instruments. We are drafting the relevant disclosures to reflect the requirements of the new standard.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model to address how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures in order to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. It replaces existing revenue recognition guidance including IAS 18 Revenue and IAS 11 Construction Contracts.

The standard provides a principle based five-step model to be applied to all contracts with customers. This five-step model involves identifying the contract(s) with a customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations in the contract; and recognizing revenue when (or as) the entity satisfies a performance obligation.

Application of this new standard is mandatory for annual reporting periods beginning on or after January 1, 2018.

There are two methods by which the new guidance can be adopted: (1) a full retrospective approach with a restatement of all prior periods presented, or (2) a modified retrospective approach with a cumulative-effect adjustment recognized in retained earnings as of the date of adoption. We plan to adopt IFRS 15 using the modified retrospective method whereby the cumulative impact of adopting the standard will be recognized in retained earnings as at January 1, 2018 and the comparative periods will not be restated.

We have assessed the estimated impact that the initial application of IFRS 15 will have on our consolidated financial statements. Our evaluation of the new standard included the identification of accounting and disclosure gaps specific to the individual revenue streams of the Corporation, and mapping of the processes to determine whether changes were required to policies, procedures, and controls.

We recognize revenue from the following major sources:

Contract Drilling Services

We contract individual drilling rig packages, including crews and support equipment, to our customers. Depending on the customer's drilling program, contracts may be for a single well, multiple wells or a fixed term. We expect that revenue recognition on these contracts under IFRS 15 will be materially the same as revenue recognition under the existing standard. Revenue from contract drilling services will be recognized over time from spud to rig release, on a daily basis. Operating days are measured through the use of industry standard tour sheets that document the daily activity of the rig. Revenue will be recognized at the applicable average day rate for each well, based on rates specified in each contract.

We also provide services under turnkey contracts, whereby we are required to drill a well to an agreed upon depth under specified conditions for a fixed price, regardless of the time required or the problems encountered in drilling the well. Revenue from turnkey drilling contracts is recognized over time using the input method based on costs incurred to date in relation to estimated total contract costs, as that most accurately depicts our performance. As this method is permitted under the new standard, we will continue in its application, and do not expect this to have a significant impact, if any, on our cumulative-effect adjustment.

We also provide directional drilling services, which include the provision of directional drilling equipment, tools and personnel to the wellsite, and performance of daily directional drilling services. We expect that revenue recognition on these contracts under IFRS 15 will be materially the same as revenue recognition under the existing standard. Directional drilling revenue will be recognized over time, upon the daily completion of operating activities. Operating days are to be measured through the use of daily tour sheets. Revenue will be recognized at the applicable day rate, as stipulated in the directional drilling contract.

Completion and Production Services

We provide a variety of well completion and production services including well servicing and snubbing. In general, service rigs do not involve long-term contracts or penalties for termination. We expect that revenue recognition on these contracts under IFRS 15 will be materially the same as revenue recognition under the existing standard. Revenue will be recognized daily. Operating days are measured through daily tour sheets and field tickets. Revenue will be recognized at the applicable daily or hourly rate, as stipulated in the contract.

We also offer a variety of oilfield equipment for rental to our customers. We expect that revenue recognition on these contracts under IFRS 15 will be materially the same as revenue recognition under the existing standard. Rental revenue will be

recognized daily. Rental days are measured through field tickets. Revenue will be recognized at the applicable daily rate, as stipulated in the contract.

Based on its detailed assessment, we do not expect the application of IFRS 15 to result in a material impact to our consolidated financial statements. The actual impact of adopting the standard at January 1, 2018 may differ as the accounting policies are subject to change until we present our first interim financial statements that include the date of initial application.

As a result of the adoption of the new standard, we will be required to include significant disclosures in the financial statements based on the prescribed requirements. These new disclosures will include information regarding the significant judgments used in evaluating how and when revenues are recognized and information related to contract assets and deferred revenues. In addition, IFRS 15 requires that our revenue recognition policy disclosure include additional detail regarding the various performance obligations and the nature, amount, timing, and estimates of revenues and cash flows generated from contracts with customers. We are drafting the relevant disclosures to reflect the requirements of the new standard.

IFRS 16, Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It replaces existing lease guidance including IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease. The new standard is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. A right-of-use asset and a corresponding liability will be recognized for all leases by the lessee except for short-term leases and leases of low value assets.

Our initial assessment indicates that many of the operating lease arrangements identified in Note 18 will meet the definition of a lease under IFRS 16 and thus be recognized in the statement of financial position as a right-of-use asset with a corresponding liability. In addition, the nature of expenses related to these arrangements will change as the current presentation of operating lease expense will be replaced with a depreciation charge for the right-of use asset and interest expense on the lease liabilities. As well, the classification of cash flows will be impacted as the current presentation of operating lease payments as operating cash flows will be split into financing (principal portion) and operating (interest portion) cash flows under IFRS 16.

Lessor accounting will not significantly change under the new standard. However, some differences may arise upon adoption of IFRS 16 as a result of new guidance on the definition of a lease. Under IFRS 16 a contract is, or contains a lease if the contract conveys control of the use of an identified asset for a period of time in exchange for some form of consideration. We are assessing whether this new guidance will impact the treatment of its drilling rigs under long-term contracts.

Extensive disclosures will also be required under IFRS 16.

We plan to apply IFRS 16 initially on January 1, 2019 using the cumulative effect method whereby the cumulative impact of adopting the standard will be recognized in retained earnings as at January 1, 2019 and the comparative periods will not be restated.

IFRIC 23, Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation requires the entity to use the most likely amount or the expected value of the tax treatment if it concludes that it is not probable that a particular tax treatment will be accepted. It requires an entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight. We have yet to determine the impact this standard will have on our consolidated financial statements.

Risks in Our Business

Our key business risks are summarized below. Additional information and other risks in business are discussed in our AIF, available on our website (www.precisiondrilling.com).

Our enterprise risk management framework operates at the business and functional levels and is designed to identify, evaluate, and mitigate risks within each of the risk categories below. It leverages the risk framework in each of our businesses, which includes our risk policies, guidelines and review mechanisms.

Our businesses routinely encounter and manage risks, some of which may cause our future results to be different, sometimes materially different, than what we presently anticipate. We describe certain important strategic, operational, financial, and legal and compliance risks. Our response to development in those risk areas and our reactions to material future developments will affect our future results.

Our operations depend on the price of oil and natural gas

We sell our services to oil and natural gas exploration and production companies. Macroeconomic and geopolitical factors associated with oil and natural gas supply and demand are the primary factors driving pricing and profitability in the oilfield services industry. Generally, we experience high demand for our services when commodity prices are relatively high and the opposite is true when commodity prices are low, as is currently the case. The volatility of crude oil and natural gas prices accounts for much of the cyclical nature of the oilfield services business.

The markets for oil and natural gas are separate and distinct. Oil is a global commodity with a vast distribution network, although the differential between benchmarks such as West Texas Intermediate, Western Canadian Select, and European Brent crude oil can fluctuate. As in all markets, when supply, demand, inability to access domestic or export markets and other factors change, so can the spreads between benchmarks. The most economical way to transport natural gas is in its gaseous state by pipeline, and the natural gas market depends on pipeline infrastructure and regional supply and demand. However, developments in the transportation of liquefied natural gas in ocean going tanker ships have introduced an element of globalization to the natural gas market.

Worldwide military, political and economic events, such as conflict in the Middle East, expectations for global economic growth, or initiatives by OPEC and other major petroleum exporting countries, can affect supply and demand for oil and natural gas. Weather conditions, governmental regulation (in Canada and elsewhere), levels of consumer demand, the availability and pricing of alternate sources of energy (including renewal energy initiatives), the availability of pipeline capacity, U.S. and Canadian natural gas storage levels, and other factors beyond our control can also affect the supply of and demand for oil and natural gas and lead to future price volatility.

The North American land drilling industry has been in a deep downturn for over three years, a result of lower commodity prices restricting customer spending and decreasing drilling demand. In 2017, approximately 15,800 wells were started onshore in the U.S., compared to approximately 11,200 in 2016, 20,500 in 2015 and 43,700 in 2014. In 2017, the industry drilled 6,959 wells in western Canada, compared to 3,963 in 2016, 5,241 in 2015 and 10,942 in 2014. According to industry sources, the U.S. average active land drilling rig count was up approximately 76% in 2017, compared to 2016, and the Canadian average active land drilling rig count was up approximately 58% during the same period. However, oil and natural gas prices remained volatile throughout 2017 and could continue at these relatively low levels or lower levels for the foreseeable future. Prices have been negatively affected since late 2014 by a combination of factors, including increased production, the decisions of OPEC and a strengthening in the U.S. dollar relative to most other currencies. These factors have adversely affected, and could continue to adversely affect, the prices of oil and natural gas, which would adversely affect the level of capital spending by our customers and in turn could have a material and adverse effect on our results of operations. As a result of the continued pressure on commodity prices, many of our customers have reduced spending budgets for 2018 compared to periods prior to the downturn, and further reductions in commodity prices or prices remaining at current levels for a prolonged period may result in further reductions in capital budgets in the future. Moreover, the prolonged reduction in oil and natural gas prices has depressed, and may continue to depress, and the availability and pricing of alternative sources of energy may depress, the

overall level of exploration and production activity, resulting in corresponding decline in the demand for our services that has had, could continue to have and may have, as applicable, a material adverse effect on our revenue, cash flow and profitability and restrict our ability to make capital expenditures compared to periods prior to the downturn. In addition, sustained periods with oil and natural gas prices at current or lower levels could also lead to lower future revenues if these prices caused our customers to avoid re-contracting rigs currently under contract, therefore making our Senior Credit Facility financial covenants more difficult to attain.

Lower oil and natural gas prices could also cause our customers to renegotiate, terminate or fail to honour their drilling contracts with us, which could affect the anticipated revenues that support our capital expenditure program and future contracted deliveries of new-build rigs. In addition, lower oil and natural gas prices, lower demand for oilfield services or lower rig utilization could affect the existing fair market value of our rig fleet, which in turn could trigger a write down for accounting purposes. There is no assurance that demands for our services or conditions in the oil and natural gas and oilfield services sector will not decline in the future, and a significant decline in demand could have a material adverse effect on our financial condition.

We have accounts receivable with customers in the oil and natural gas industry and their revenues may be affected by fluctuations in commodity prices. Our ability to collect receivables may be adversely affected by any prolonged weakness in oil and natural gas prices.

Intense price competition and the cyclical nature of the contract drilling industry could have an adverse effect on revenue and profitability

The contract drilling business is highly competitive with many industry participants. We compete for drilling contracts that are usually awarded based on competitive bids. We believe pricing and rig availability are the primary factors potential customers consider when selecting a drilling contractor. We believe other factors are also important, such as the drilling capabilities and condition of drilling rigs, the quality of service and experience of rig crews, the safety record of the contractor and the particular drilling rig, the offering of ancillary services, the ability to provide drilling equipment that is adaptable to and having personnel familiar with new technologies and drilling techniques, and rig mobility and efficiency.

Historically, contract drilling has been cyclical with periods of low demand, excess rig supply and low dayrates, followed by periods of high demand, short rig supply and increasing dayrates. Periods of excess drilling rig supply intensify the competition and often result in rigs being idle. There are numerous contract drilling companies in the markets where we operate, and an oversupply of drilling rigs can cause greater price competition. Contract drilling companies compete primarily on a regional basis, and the intensity of competition can vary significantly from region to region at any particular time. If demand for drilling services is better in a region where we operate, our competitors might respond by moving suitable drilling rigs in from other regions, reactivating previously stacked rigs or purchasing new drilling rigs. An influx of drilling rigs into a market from any source could rapidly intensify competition and make any improvement in the demand for our drilling rigs short-lived, which could in turn have a material adverse effect on our revenue, cash flow and earnings.

Our business results and the strength of our financial position are affected by our ability to strategically manage our capital expenditure program in a manner consistent with industry cycles and fluctuations in the demand for contract drilling services. If we do not effectively manage our capital expenditures or respond to market signals relating to the supply or demand for contract drilling and oilfield services, it could have a material adverse effect on our revenue, operations and financial condition.

New capital expenditures in the contract drilling industry expose us to the risk of oversupply of equipment

Periods of high demand often lead to higher capital expenditures on drilling rigs and other oilfield services equipment. The number of newer drilling rigs competing for work in markets where we operate has increased as the industry has added new and upgraded rigs. The industry supply of drilling rigs may exceed actual demand because of the relatively long-life span of oilfield services equipment as well as the typically long time from when a decision is made to upgrade or build new equipment to when the equipment is built and placed into service. Excess supply resulting from industry-wide capital expenditures could lead to lower demand for term drilling contracts and for our equipment and services. The additional supply of drilling rigs has intensified price competition in the past and could continue to do so. This could lead to lower rates in the oilfield services industry generally and lower utilization of existing rigs. If any of these factors materialize, it would have an adverse effect on our revenue, cash flow, earnings and asset valuation.

We require sufficient cash flows to service and repay our debt

We will need sufficient cash flows in the future to service and repay our debt. Our ability to generate cash in the future is affected to some extent by general economic, financial, competitive and other factors that may be beyond our control. If we need to borrow funds in the future to service our debt, our ability will depend on covenants in the Senior Credit Facility, the 2021 Note Indenture, the 2023 Note Indenture, the 2024 Note Indenture, the 2026 Note indenture and other debt agreements

we may have in the future, and on our credit ratings. We may not be able to access sufficient amounts under the Senior Credit Facility or from the capital markets in the future to pay our obligations as they mature or to fund other liquidity requirements. If we are not able to borrow a sufficient amount or generate enough cash flow from operations to service and repay our debt, we will need to refinance our debt or we will be in default, and we could be forced to reduce or delay investments and capital expenditures or dispose of material assets or issue equity. We may not be able to refinance or arrange alternative measures on favourable terms or at all. If we are unable to service, repay or refinance our debt, it could have a negative impact on our financial condition and results of operations.

Repaying the debt depends on our guarantor subsidiaries generating cash flow and making it available to us by dividend, debt repayment or otherwise. Our guarantor subsidiaries may not be able to, or may not be permitted to, make distributions to allow us to make payments on our debt. Each guarantor subsidiary is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from the subsidiaries. While the agreements governing certain existing debt limits the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions.

A substantial portion of our operations is carried out through subsidiaries, and some of them are not guarantors of our debt. The assets and operations of the non-guarantor subsidiaries are not material, and these subsidiaries do not have any obligation to pay amounts due on the debt or to make funds available for that purpose.

If we do not receive dividends from our guarantor subsidiaries, we may be unable to make the required principal and interest payments, which could have a material adverse effect on our financial position and results of operations.

Customers' inability to obtain credit/financing could lead to lower demand for our services

Many of our customers require reasonable access to credit facilities and debt capital markets to finance their oil and gas drilling activity. If the availability of credit to our customers is reduced, they may reduce their drilling and production expenditures, thereby decreasing demand for our products and services. A reduction in spending by our customers could adversely affect our operating results and financial condition.

Our debt facilities contain restrictive covenants

The Senior Credit Facility, the 2021 Note Indenture, the 2023 Note Indenture, the 2024 Note Indenture and the 2026 Note indenture contain a number of covenants which, among other things, restrict us and some of our subsidiaries from conducting certain activities (see *Capital Structure – Covenants – Senior Notes* on page 38). In the event Consolidated Interest Coverage Ratio (as defined in our four senior note indentures) is less than 2.0:1 for the most recent four consecutive fiscal quarters the senior note indentures restrict our ability to incur additional indebtedness. As at December 31, 2017, our Consolidated Interest Coverage Ratio, as calculated per our senior notes indentures, was 2.16:1.

In addition, we must satisfy and maintain certain financial ratio tests under the Senior Credit Facility (see *Capital Structure – Covenants – Senior Credit Facility* on page 37). Events beyond our control could affect our ability to meet these tests in the future. If we breach any of the covenants, it could result in a default under the Senior Credit Facility or any of the note indentures. If there is a default under our Senior Credit Facility, the applicable lenders could decide to declare all amounts outstanding under the Senior Credit Facility or any of the note indentures to be due and payable immediately, and terminate any commitments to extend further credit. If there is an acceleration by the lenders and the accelerated amounts exceed a specific threshold, the applicable noteholders could decide to declare all amounts outstanding under any of the note indentures to be due and payable immediately.

At December 31, 2017, we were in compliance with the covenants of the Senior Credit Facility.

Uncertainty as to the position of the United States in respect ofworld affairs and events

As a result of the 2016 U.S. presidential election and the related change in political agenda, there is continued uncertainty as to the position the United States will take with respect to world affairs and events. This uncertainty may include issues such as U.S. support for existing treaty and trade relationships with other countries, including Canada. The executive branch of the U.S. government has also initiated the renegotiation of the terms of the North American Free Trade Agreement (**NAFTA**). Implementation by the U.S. of new legislative or regulatory regimes or revisions to NAFTA could impose additional costs on us, decrease U.S. demand for our services or otherwise negatively impact us or our customers, which may have a material adverse effect on our business, financial condition and operations.

Risks and uncertainties associated with our international operations can negatively affect our business

We conduct some of our business in Mexico and the Middle East. Our growth plans contemplate establishing operations in other international regions, including countries where the political and economic systems may be less stable than in Canada or the U.S.

Our international operations are subject to risks normally associated with conducting business in foreign countries, including, but not limited to, the following:

- an uncertain political and economic environment
- the loss of revenue, property and equipment as a result of expropriation, confiscation, nationalization, contract deprivation and force majeure
- war, terrorist acts or threats, civil insurrection and geopolitical and other political risks
- fluctuations in foreign currency and exchange controls
- restrictions on the repatriation of income or capital
- increases in duties, taxes and governmental royalties
- renegotiation of contracts with governmental entities
- changes in laws and policies governing operations of companies
- compliance with anti-corruption and anti-bribery legislation in Canada, the U.S. and other countries, and
- trade restrictions or embargoes imposed by the U.S. or other countries.

If there is a dispute relating to our international operations, we may be subject to the exclusive jurisdiction of foreign courts or may not be able to subject foreign persons to the jurisdiction of a court in Canada or the U.S.

Government-owned petroleum companies located in some of the countries where we operate now or in the future may have policies, or may be subject to governmental policies, that give preference to the purchase of goods and services from companies that are majority-owned by local nationals. As such, we may rely on joint ventures, license arrangements and other business combinations with local nationals in these countries, which may expose us to certain counterparty risks, including the failure of local nationals to meet contractual obligations or comply with local or international laws that apply to us.

In the international markets where we operate, we are subject to various laws and regulations that govern the operation and taxation of our businesses and the import and export of our equipment from country to country. There may be uncertainty about how these laws and regulations are imposed, applied or interpreted, and they could be subject to change. Since we derive a portion of our revenues from subsidiaries outside of Canada and the U.S., the subsidiaries paying dividends or making other cash payments or advances may be restricted from transferring funds in or out of the respective countries, or face exchange controls or taxes on any payments or advances. We have organized our foreign operations partly based on certain assumptions about various tax laws (including capital gains and withholding taxes), foreign currency exchange, and capital repatriation laws and other relevant laws of a variety of foreign jurisdictions. We believe these assumptions are reasonable; however, there is no assurance that foreign taxing or other authorities will reach the same conclusion. If these foreign jurisdictions change or modify the laws, we could suffer adverse tax and financial consequences.

While we have developed policies and procedures designed to achieve compliance with applicable international laws, we could be exposed to potential claims, economic sanctions or other restrictions for alleged or actual violations of international laws related to our international operations, including anti-corruption and anti-bribery legislation, trade laws and trade sanctions. The Canadian government, the U.S. Department of Justice, the Securities and Exchange Commission (SEC), the U.S. Office of Foreign Assets Control and similar agencies and authorities in other jurisdictions have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for such violations, including injunctive relief, disgorgement, fines, penalties and modifications to business practices and compliance programs, among other things. While we cannot accurately predict the impact of any of these factors, if any of those risks materialize, it could have a material adverse effect on our reputation, business, financial condition, results of operations and cash flow.

Our and our customer's operations are subject to numerous environmental laws, regulations and guidelines

Our operations are affected by numerous laws, regulations and guidelines relating to the protection of the environment, including those governing the management, transportation and disposal of hazardous substances and other waste materials. These include those relating to spills, releases and discharges of hazardous substances or other waste materials into the environment, requiring removal or remediation of pollutants or contaminants, and imposing civil and criminal penalties for violations. Some of these apply to our operations and authorize the recovery of natural resource damages by the government, injunctive relief, and the imposition of stop, control, remediation and abandonment orders. In addition, our land drilling operations may be conducted in or near ecologically sensitive areas, such as wetlands that are subject to special protective measures, which may expose us to additional operating costs and liabilities for noncompliance with certain laws. Some environmental laws and regulations may impose strict and, in certain cases joint and several, liability. This means that in some situations we could be exposed to liability as a result of conduct that was lawful at the time it occurred, or conditions caused by prior operators or other third parties, including any liability related to offsite treatment or disposal facilities. The costs arising from compliance with these laws, regulations and guidelines may be material.

Major projects which would benefit our customers, such as new pipelines and other facilities, may be inhibited, delayed or stopped by a variety of factors, including inability to obtain regulatory or governmental approvals or public opposition. In western Canada, delays and/or the inability to obtain necessary regulatory approvals for pipeline projects that would provide additional transportation capacity and access to refinery capacity for our customers has led to downward price pressure on oil and gas produced in western Canada which has depressed, and may continue to depress, the overall exploration and production activity of our customers, resulting in a corresponding decline in the demand for our services that could have a material adverse effect on our revenue, cash flow and profitability.

We maintain liability insurance, including insurance for certain environmental claims, but coverage is limited and some of our policies exclude coverage for damages resulting from environmental contamination. We cannot assure that insurance will continue to be available to us on commercially reasonable terms, that the possible types of liabilities that we may incur will be covered by insurance, or that the dollar amount of the liabilities will not exceed our policy limits. Even a partially uninsured claim, if successful and of sufficient magnitude, could have a material adverse effect on our business, results of operations and prospects.

Environment regulations could have a significant impact on the energy industry

The subject of energy and the environment has created intense public debate around the world in recent years. Debate is likely to continue for the foreseeable future and could potentially have a significant impact on all aspects of the economy. The trend in environmental regulation has been to impose more restrictions and limitations on activities that may impact the environment. Any regulatory changes that impose additional environmental restrictions or requirements on us, or our customers, could increase our operating costs and potentially lead to lower demand for our services and have an adverse effect on us. For example, there is growing concern about the apparent connection between the burning of fossil fuels and climate change. Laws, regulations or treaties concerning climate change or greenhouse gas emissions can have an adverse impact on the demand for oil and natural gas, which could have a material adverse effect on us.

Governments in Canada and the U.S. are also considering more stringent regulation or restriction of hydraulic fracturing, a technology used by most of our customers that involves the injection of water, sand and chemicals under pressure into rock formations to stimulate oil and natural gas production.

Increasing regulatory restrictions could have a negative impact on the exploration of unconventional energy resources, which are only commercially viable with the use of hydraulic fracturing. Laws relating to hydraulic fracturing are in various stages of development at levels of governments in markets where we operate and the outcome of these developments and their effect on the regulatory landscape and the contract drilling industry is uncertain. Hydraulic fracturing laws or regulations that cause a decrease in the completion of new oil and natural gas wells and an associated decrease in demand for our services could have a material adverse effect on our operations and financial results.

Poor safety performance could lead to lower demand for our services

Standards for accident prevention in the oil and natural gas industry are governed by service company safety policies and procedures, accepted industry safety practices, customer-specific safety requirements, and health and safety legislation. Safety is a key factor that customers consider when selecting an oilfield services company. A decline in our safety performance could result in lower demand for services, and this could have a material adverse effect on our revenue, cash flow and earnings.

We are subject to various health and safety laws, rules, legislation and guidelines which can impose material liability, increase our costs or lead to lower demand for our services.

Relying on third-party suppliers has risks

We source certain key rig components, raw materials, equipment and component parts from a variety of suppliers in Canada, the U.S. and overseas. We also outsource some or all construction services for drilling and service rigs, including new-build rigs, as part of our capital expenditure programs. We maintain relationships with several key suppliers and contractors and an inventory of key components, materials, equipment and parts. We also place advance orders for components that have long lead times. We may, however, experience cost increases, delays in delivery due to strong activity or financial hardship of suppliers or contractors, or other unforeseen circumstances relating to third parties. If our current or alternate suppliers are unable to deliver the necessary components, materials, equipment, parts and services we require for our businesses, including the construction of new-build drilling rigs, it can delay service to our customers and have a material adverse effect on our revenue, cash flow and earnings.

Acquisitions entail numerous risks and may disrupt our business or distract management

We consider and evaluate acquisitions of, or significant investments in, complementary businesses and assets as part of our business strategy. Acquisitions involve numerous risks, including unanticipated costs and liabilities, difficulty in integrating the operations and assets of the acquired business, the ability to properly access and maintain an effective internal control environment over an acquired company to comply with public reporting requirements, potential loss of key employees and customers of the acquired companies, and an increase in our expenses and working capital requirements. Any acquisition could have a material adverse effect on our operating results, financial condition or the price of our securities.

We may incur substantial debt to finance future acquisitions and also may issue equity securities or convertible securities for acquisitions. Debt service requirements could be a burden on our results of operations and financial condition. We would also be required to meet certain conditions to borrow money to fund future acquisitions. Acquisitions could also divert the attention of management and other employees from our day-to-day operations and the development of new business opportunities. Even if we are successful in integrating future acquisitions into our operations, we may not derive the benefits, such as operational or administrative synergies, we expect from acquisitions, which may result in us committing capital resources and not receiving the expected returns. In addition, we may not be able to continue to identify attractive acquisition opportunities or successfully acquire identified targets.

New technology could reduce demand for certain rigs or put us at a competitive disadvantage

Complex drilling programs for the exploration and development of conventional and unconventional oil and natural gas reserves demand high performance drilling rigs. The ability of drilling rig service providers to meet this demand depends on continuous improvement of existing rig technology, such as drive systems, control systems, automation, mud systems and top drives, to improve drilling efficiency. Our ability to deliver equipment and services that meet customer demand is essential to our continued success. We cannot guarantee that our rig technology will continue to meet the needs of our customers, especially as rigs age and technology advances, or that our competitors will not develop technological improvements that are more advantageous, timely, or cost effective.

Our operations face risks of interruption and casualty losses

Our operations face many hazards inherent in the drilling and well servicing industries, including blowouts, cratering, explosions, fires, loss of well control, loss of hole, reservoir damage, loss of directional control, damaged or lost equipment, and damage or loss from inclement weather or natural disasters. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage, damage to the property of others, and damage to producing or potentially productive oil and natural gas formations that we drill through.

Generally, drilling and service rig contracts separate the responsibilities of a drilling or service rig company and the customer, and we try to obtain indemnification from our customers by contract for some of these risks even though we also have insurance coverage to protect us. We cannot assure, however, that any insurance or indemnification agreements will adequately protect us against liability from all the consequences described above. If there is an event that is not fully insured or indemnified against, or a customer or insurer does not meet its indemnification or insurance obligations, it could result in substantial losses. In addition, we may not be able to get insurance to cover any or all these risks, or the coverage may not be adequate. Insurance premiums or other costs may rise significantly in the future, making the insurance prohibitively expensive or uneconomic. Significant events, including terrorist attacks in the U.S., severe hurricane damage and well blowout damage in the U.S. Gulf Coast region, have resulted in significantly higher insurance costs, deductibles and coverage restrictions. When we renew our insurance, we may decide to self-insure at higher levels and assume increased risk in order to reduce costs associated with higher insurance premiums.

Business in our industry is seasonal and highly variable

Seasonal weather patterns in Canada and the northern U.S. affect activity in the oilfield services industry. During the spring months, wet weather and the spring thaw make the ground unstable, so municipalities and counties and provincial and state transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment. This reduces activity and highlights the importance of the location of our equipment prior to the imposition of the road bans. The timing and length of road bans depend on weather conditions leading to the spring thaw and during the thawing period.

Additionally, certain oil and natural gas producing areas are located in parts of western Canada that are only accessible during the winter months because the ground surrounding or containing the drilling sites in these areas consists of terrain known as muskeg. Rigs and other necessary equipment cannot cross this terrain to reach the drilling site until the muskeg freezes. Moreover, once the rigs and other equipment have been moved to a drilling site, they may become stranded or be unable to move to another site if the muskeg thaws unexpectedly. Our business activity depends, at least in part, on the severity and duration of the winter season.

Global climate change could impact the timing and length of the spring thaw and the period in which the muskeg freezes and thaws and it could impact the severity of winter, which could adversely affect our business and operating results. We cannot; however, estimate the degree to which climate change could impact our business and operating results.

Our operations are subject to foreign exchange risk

Our U.S. and international operations have revenue, expenses, assets and liabilities denominated in currencies other than the Canadian dollar, and are mostly in U.S. dollars and currencies that are pegged to the U.S. dollar. This means that currency exchange rates can affect our income statement, balance sheet and statement of cash flow.

Translation into Canadian Dollars

When preparing our consolidated financial statements, we translate the financial statements for foreign operations that do not have a Canadian dollar functional currency into Canadian dollars. We translate assets and liabilities at exchange rates in effect at the period end date. We translate revenues and expenses using average exchange rates for the month of the transaction. We initially recognize gains or losses from these translation adjustments in other comprehensive income, and reclassify them from equity to net earnings on disposal or partial disposal of the foreign operation. Changes in currency exchange rates could materially increase or decrease our foreign currency-denominated net assets, which would increase or decrease shareholders' equity. Changes in currency exchange rates will affect the amount of revenues and expenses we record for our U.S. and international operations, which will increase or decrease our net earnings. If the Canadian dollar strengthens against the U.S. dollar, the net earnings we record in Canadian dollars from our U.S. and international operations will be lower.

Transaction exposure

We have long-term debt denominated in U.S. dollars. We have designated our U.S. dollar denominated unsecured senior notes as a hedge against the net asset position of our U.S. and foreign operations. This debt is converted at the exchange rate in effect at the period end dates with the resulting gains or losses included in the statement of comprehensive income. If the Canadian dollar strengthens against the U.S. dollar, we will incur a foreign exchange gain from the translation of this debt. Similarly, if the Canadian dollar weakens against the U.S. dollar, we will incur a foreign exchange loss from the translation of this debt. The vast majority of our international operations are transacted in U.S. dollars or U.S. dollar-pegged currencies. Transactions for our Canadian operations are primarily transacted in Canadian dollars. We occasionally purchase goods and supplies in U.S. dollars for our Canadian operations, and we maintain U.S. dollar cash in our Canadian operations.

We may be unable to access additional financing

We may need to obtain additional debt or equity financing in the future to support ongoing operations, undertake capital expenditures, repay existing or future debt (including the Senior Credit Facility, the 2021 Notes, the 2023 Notes, the 2024 Notes and the 2026 Notes), or pursue acquisitions or other business combination transactions. Volatility or uncertainty in the credit markets may increase costs associated with issuing debt or equity, and there is no assurance that we will be able to access additional financing when we need it, or on terms we find acceptable or favourable. If we are unable to obtain financing to support ongoing operations or to fund capital expenditures, acquisitions, debt repayments, or other business combination transactions, it could limit growth and may have a material adverse effect on our revenue, cash flow and profitability.

Risks associated with turnkey drilling operations could adversely affect our business

We earn some of our revenue from turnkey drilling contracts. We expect that turnkey drilling will continue to be part of our service offering; however, turnkey contracts pose substantially more risk than wells drilled on a daywork basis. Under a typical turnkey drilling contract, we agree to drill a well for a customer to a specified depth and under specified conditions for a fixed price. We typically provide technical expertise and engineering services, as well as most of the equipment required for the drilling of turnkey wells, and use subcontractors for related services. We typically do not receive progress payments and are entitled to payment by the customer only after we have met the full terms of the drilling contract. We sometimes encounter difficulties on wells and incur unanticipated costs, and not all the costs are covered by insurance. As a result, under turnkey contracts we assume most of the risks associated with drilling operations that are generally assumed by customers under a daywork contract. Operating cost overruns or operational difficulties on turnkey jobs could have a material adverse effect on our financial position and results of operations.

There are risks associated with increased capital expenditures

The timing and amount of capital expenditures we incur will directly affect the amount of cash available to us. The cost of equipment generally escalates as a result of high input costs during periods of high demand for our drilling rigs and oilfield services equipment and other factors. There is no assurance that we will be able to recover higher capital costs through rate increases to our customers.

A successful challenge by the tax authorities of expense deductions could negatively affect the value of our common shares

Taxation authorities may not agree with the classification of expenses we or our subsidiaries have claimed, or they may challenge the amount of interest expense deducted. If the taxation authorities successfully challenge our classifications or deductions, it could have an adverse effect on our return to shareholders.

Losing key management could reduce our competitiveness and prospects for future success

Our future success and growth depends partly on the expertise and experience of our key management. There is no assurance that we will be able to retain key management. Losing these individuals could have a material adverse effect on our operations and financial condition.

Our assessment of goodwill or capital assets for impairment may result in a non-cash charge against our consolidated net income

We are required to assess our goodwill balance for impairment at least annually, and our capital assets balance for impairment when certain internal and external factors indicate the need for further analysis. We calculate impairment based on management's estimates and assumptions. We may consider several factors, including any declines in our share price and market capitalization, lower future cash flow and earnings estimates, significantly reduced or depressed markets in our industry, and general economic conditions, among other things. Any impairment write down to goodwill or capital assets would result in a non-cash charge against net earnings, and it could be material.

Our credit ratings may change

Credit ratings affect our financing costs, liquidity and operations over the long term and are intended as an independent measure of the credit quality of long-term debt. Credit ratings affect our ability to obtain short and long-term financing and the cost of this financing, and our ability to engage in certain business activities cost-effectively.

If a rating agency reduces its current rating on our debt, or downgrades us, or we experience a negative change in our ratings outlook, it could have an adverse effect on our financing costs and access to liquidity and capital.

The price of our common shares can fluctuate

Several factors can cause volatility in our share price, including increases or decreases in revenue or earnings, changes in revenue or earnings estimates by the investment community, failure to meet analysts' expectations, changes in credit ratings, and speculation in the media or investment community about our financial condition or results of operations. General market conditions and Canadian, U.S. or international economic factors and political events unrelated to our performance may also affect the price of our common shares. Investors should therefore not rely on past performance of our common shares to predict the future performance of our common shares or financial results.

Selling additional common shares could affect share value

We may issue additional common shares in the future to fund our needs or those of other entities owned directly or indirectly by us, as authorized by the Board. We do not need shareholder approval to issue additional common shares, and shareholders do not have any pre-emptive rights related to share issues (see *Capital Structure* on page 37).

Any difficulty in retaining, replacing, or adding personnel could adversely affect our business

Our ability to provide reliable services depends on the availability of well-trained, experienced crews to operate our field equipment. We must also balance our need to maintain a skilled workforce with cost structures that fluctuate with activity levels. We retain the most experienced employees during periods of low utilization by having them fill lower level positions on field crews. Many of our businesses experience manpower shortages in peak operating periods, and we may experience more severe shortages if the industry adds more rigs, oilfield services companies expand and new companies enter the business.

We may not be able to find enough skilled labour to meet our needs, and this could limit growth. We may also have difficulty finding enough skilled and unskilled labour in the future if demand for our services increases. Shortages of qualified personnel have occurred in the past during periods of high demand. The demand for qualified rig personnel generally increases with stronger demand for land drilling services and as new and refurbished rigs are brought into service. Increased demand typically leads to higher wages that may or may not be reflected in any increases in service rates.

Other factors can also affect our ability to find enough workers to meet our needs. Our business requires skilled workers who can perform physically demanding work. Volatility in oil and natural gas activity and the demanding nature of the work, however, may prompt workers to pursue other kinds of jobs that offer a more desirable work environment and wages competitive to ours. Our success depends on our ability to continue to employ and retain skilled technical personnel and qualified rig personnel. If we are unable to, it could have a material adverse effect on our operations.

Our business is subject to cybersecurity risks.

Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow. Cybersecurity attacks could include, but are not limited to, malicious software, attempts to gain unauthorized access to data and the unauthorized release, corruption or loss of data and personal information, account takeovers, and other electronic security breaches that could lead to disruptions in our critical systems. Risks associated with these attacks include, among other things, loss of intellectual property, disruption of our and our customers' business operations and safety procedures, loss or damage to our data delivery systems, unauthorized disclosure of personal information and increased costs to prevent, respond to or mitigate cybersecurity events. Although we use various procedures and controls to mitigate our exposure to such risk, cybersecurity attacks are evolving and unpredictable. The occurrence of such an attack could go unnoticed for a period of time. Any such attack could have a material adverse effect on our business, financial condition and results of operations.

As a foreign private issuer in the U.S., we may file less information with the SEC than a company incorporated in the U.S.

As a *foreign private issuer*, we are exempt from certain rules under the United States Exchange Act of 1934 (the **Exchange Act**) that impose disclosure requirements, as well as procedural requirements, for proxy solicitations under Section 14 of the Exchange Act. Our directors, officers and principal shareholders are also exempt from the reporting and *short-swing* profit recovery provisions of Section 16 of the Exchange Act. We are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, nor are we generally required to comply with Regulation FD, which restricts the selective disclosure of material non-public information. As a result, there may be less publicly available information about us than U.S. public companies and this information may not be provided as promptly. In addition, we are permitted, under a multi-jurisdictional disclosure system adopted by the U.S. and Canada, to prepare our disclosure documents in accordance with Canadian disclosure requirements, including preparing our financial statements in accordance with International Financial Reporting Standards (**IFRS**), which differs in some respects from U.S. GAAP. We are required to assess our *foreign private issuer* status under U.S. securities laws annually at the end of the second quarter. If we were to lose our status as a *foreign private issuer* under U.S. securities laws, we would be required to fully comply with U.S. securities and accounting requirements.

We have retained liabilities from prior reorganizations

We have retained all liabilities of our predecessor companies, including liabilities relating to corporate and income tax matters.

We may become a passive foreign investment company, which could result in adverse U.S. tax consequences to U.S. investors

Management does not believe that we are or will be treated as a passive foreign investment company (**PFIC**) for U.S. tax purposes. However, because PFIC status is determined annually and will depend on the composition of our income and assets from time to time, it is possible that we could be considered a PFIC in the future. This could result in adverse U.S. tax consequences to a U.S. investor. In particular, a U.S. investor would be subject to U.S. federal income tax at ordinary income rates, plus a possible interest charge, for any gain derived from a disposition of common shares, as well as certain distributions by us. In addition, a step-up in the tax basis of our common shares would not be available if an individual holder dies.

An investor who acquires 10% or more of our common shares may be subject to taxation under the controlled foreign corporation (**CFC**) rules.

Under certain circumstances, a U.S. person who directly or indirectly owns 10% or more of the voting power of a foreign corporation that is a CFC (generally, a foreign corporation where 10% of the U.S. shareholders own more than 50% of the voting power or value of the stock of the foreign corporation) for 30 straight days or more during a taxable year and who holds any shares of the foreign corporation on the last day of the corporation's tax year must include in gross income for U.S. federal income tax purposes its pro rata share of certain income of the CFC even if the share is not distributed to the person. We are not currently a CFC, but this could change in the future.

Evaluation of Controls and Procedures

Internal Control over Financial Reporting

We maintain internal control over financial reporting that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a – 15(f) and 15d – 15(f) under the United States Securities Exchange Act of 1934, as amended (the Exchange Act) and under National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings (NI 52-109).

Management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), has conducted an evaluation of our internal control over financial reporting based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013).

Based on management's assessment as of December 31, 2017, management has concluded that our internal control over financial reporting is effective.

The effectiveness of internal control over financial reporting as of December 31, 2017 was audited by KPMG LLP, an independent registered public accounting firm, as stated in their Report of Independent Registered Public Accounting Firm, which is included in this annual report.

Due to its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Further, the evaluation of the effectiveness of internal control over financial reporting was made as of a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in our interim and annual filings is reviewed, recognized and disclosed accurately and in the appropriate time period.

Management, including the CEO and CFO, carried out an evaluation, as of December 31, 2017, of the effectiveness of the design and operation of Precision's disclosure controls and procedures, as defined in Rule 13a – 15(e) and 15d – 15(e) under the Exchange Act and NI 52-109. Based on that evaluation, the CEO and CFO have concluded that the design and operation of Precision's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act or Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in the rules and forms therein.

It should be noted that while the CEO and CFO believe that our disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that these disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management's Report to the Shareholders

The accompanying Consolidated Financial Statements and all information in this Annual Report are the responsibility of management. The Consolidated Financial Statements have been prepared by management in accordance with the accounting policies in the Notes to the Consolidated Financial Statements. When necessary, management has made informed judgments and estimates in accounting for transactions that were not complete at the balance sheet date. In the opinion of management, the Consolidated Financial Statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards (**IFRS**) appropriate in the circumstances. The financial information elsewhere in this Annual Report has been reviewed to ensure consistency with that in the Consolidated Financial Statements.

Management has prepared Management's Discussion and Analysis (**MD&A**). The MD&A is based on the financial results of Precision Drilling Corporation (the **Corporation**) prepared in accordance with IFRS. The MD&A compares the audited financial results for the years ended December 31, 2017 and December 31, 2016.

Management is responsible for establishing and maintaining adequate internal control over the Corporation's financial reporting and is supported by an internal audit function that conducts periodic testing of these controls. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Consolidated Financial Statements for external reporting purposes in accordance with IFRS. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of, and with direction from, our principal executive officer and principal financial and accounting officer, management conducted an evaluation of the effectiveness of the Corporation's internal control over financial reporting. Management's evaluation of internal control over financial reporting was based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (**COSO 2013**). Based on this evaluation, management concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2017. Also, management determined that there were no material weaknesses in the Corporation's internal control over financial reporting as of December 31, 2017.

KPMG LLP (**KPMG**), an independent firm of Chartered Professional Accountants, was engaged, as approved by a vote of shareholders at the Corporation's most recent annual meeting, to audit the Consolidated Financial Statements and provide an independent professional opinion.

KPMG also completed an audit of the design and effectiveness of the Corporation's internal control over financial reporting as of December 31, 2017, as stated in its report included in this Annual Report and expressed an unqualified opinion on the design and effectiveness of internal control over financial reporting as of December 31, 2017.

The Audit Committee of the Board of Directors, which is comprised of five independent directors who are not employees of the Corporation, provides oversight to the financial reporting process. Integral to this process is the Audit Committee's review and discussion with management and KPMG of the quarterly and annual financial statements and reports prior to their respective release. The Audit Committee is also responsible for reviewing and discussing with management and KPMG major issues as to the adequacy of the Corporation's internal controls. KPMG has unrestricted access to the Audit Committee to discuss its audit and related matters. The Consolidated Financial Statements have been approved by the Board of Directors and its Audit Committee.

/s/ Kevin A. Neveu

Kevin A. Neveu
President and Chief Executive Officer
Precision Drilling Corporation

March 9, 2018

/s/ Carey T. Ford

Carey T. Ford
Senior Vice President and Chief Financial Officer
Precision Drilling Corporation

March 9, 2018

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Precision Drilling Corporation

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Precision Drilling Corporation (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on Internal Control Over Financial Reporting

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Corporation's internal control over financial reporting as of December 31, 2017, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 9, 2018 expressed an unqualified (unmodified) opinion on the effectiveness of the Corporation's internal control over financial reporting.

Basis for Opinion

A - Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

B - Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to error or fraud. Those standards also require that we comply with ethical requirements, including independence. We are required to be independent with respect to the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We are a public accounting firm registered with the PCAOB.

An audit includes performing procedures to assess the risks of material misstatements of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included obtaining and examining, on a test basis, audit evidence regarding the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a reasonable basis for our audit opinion.

/s/ KPMG LLC
KPMG LLC

We have served as the Corporation's auditor since 1987.

Chartered Professional Accountants
Calgary, Canada
March 9, 2018

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Precision Drilling Corporation

Opinion on Internal Control over Financial Reporting

We have audited Precision Drilling Corporation's (the "Corporation") internal control over financial reporting as of December 31, 2017, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Report on the Consolidated Financial Statements

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Corporation, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements") and our report dated March 9, 2018 expressed an unmodified (unqualified) opinion on those consolidated financial statements.

Basis for Opinion

The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report to the Shareholders. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB and in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLC
KPMG LLC

Chartered Professional Accountants
Calgary, Canada
March 9, 2018

Consolidated Statements of Financial Position

(Stated in thousands of Canadian dollars)			**December 31, 2017**		December 31, 2016
ASSETS					
Current assets:					
Cash		**$**	**65,081**	$	115,705
Accounts receivable	*(Note 23)*		**322,585**		293,682
Income tax recoverable			**29,449**		38,087
Inventory			**24,631**		24,136
Total current assets			**441,746**		471,610
Non-current assets:					
Income taxes recoverable			**2,256**		**—**
Deferred tax assets	*(Note 12)*		**41,822**		**—**
Property, plant and equipment	*(Note 5)*		**3,173,824**		3,641,889
Intangibles	*(Note 6)*		**28,116**		3,316
Goodwill	*(Note 7)*		**205,167**		207,399
Total non-current assets			**3,451,185**		3,852,604
Total assets		**$**	**3,892,931**	$	4,324,214
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	*(Note 23)*	**$**	**209,625**	$	240,736
Non-current liabilities:					
Share based compensation	*(Note 9)*		**13,536**		27,387
Provisions and other	*(Note 10)*		**10,086**		12,421
Long-term debt	*(Note 11)*		**1,730,437**		1,906,934
Deferred tax liabilities	*(Note 12)*		**118,911**		174,618
Total non-current liabilities			**1,872,970**		2,121,360
Shareholders' equity:					
Shareholders' capital	*(Note 13)*		**2,319,293**		2,319,293
Contributed surplus			**44,037**		38,937
Deficit			**(684,604)**		(552,568)
Accumulated other comprehensive income	*(Note 14)*		**131,610**		156,456
Total shareholders' equity			**1,810,336**		1,962,118
Total liabilities and shareholders' equity		**$**	**3,892,931**	$	4,324,214

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors:

/s/ Allen R. Hagerman

Allen R. Hagerman
Director

/s/ Steven W. Krablin

Steven W. Krablin
Director

Consolidated Statements of Loss

Years ended December 31, *(Stated in thousands of Canadian dollars, except per share amounts)*			**2017**		2016
Revenue		**$**	**1,321,224**	$	1,003,233
Expenses:					
Operating	*(Note 23)*		**926,171**		661,715
General and administrative	*(Note 23)*		**90,072**		107,689
Restructuring			**—**		5,754
Earnings before income taxes, loss on redemption and repurchase of unsecured senior notes, finance charges, foreign exchange, impairment of property, plant and equipment, gain on re-measurement of property, plant and equipment and depreciation and amortization			**304,981**		228,075
Depreciation and amortization			**377,746**		391,659
Impairment of property, plant and equipment	*(Note 5)*		**15,313**		—
Gain on re-measurement of property, plant and equipment			**—**		(7,605)
Operating loss			**(88,078)**		(155,979)
Foreign exchange			**(2,970)**		6,008
Finance charges	*(Note 15)*		**137,928**		146,360
Loss on redemption and repurchase of unsecured senior notes			**9,021**		239
Loss before tax			**(232,057)**		(308,586)
Income taxes:	*(Note 12)*				
Current			**(1,331)**		(31,195)
Deferred			**(98,690)**		(121,836)
			(100,021)		(153,031)
Net loss		**$**	**(132,036)**	$	(155,555)
Loss per share:	*(Note 19)*				
Basic		**$**	**(0.45)**	$	(0.53)
Diluted		**$**	**(0.45)**	$	(0.53)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Loss

Years ended December 31,				
(Stated in thousands of Canadian dollars)		**2017**		2016
Net loss	**$**	**(132,036)**	$	(155,555)
Unrealized loss on translation of assets and liabilities of operations denominated in foreign currency		**(146,545)**		(76,608)
Foreign exchange gain on net investment hedge with U.S. denominated debt, net of tax		**121,699**		66,963
Comprehensive loss	**$**	**(156,882)**	$	(165,200)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

Years ended December 31, *(Stated in thousands of Canadian dollars)*		**2017**	2016
Cash provided by (used in):			
Operations:			
Net loss		**$ (132,036)**	$ (155,555)
Adjustments for:			
Long-term compensation plans		**6,795**	28,313
Depreciation and amortization		**377,746**	391,659
Impairment of property, plant and equipment		**15,313**	**—**
Gain on re-measurement of property, plant and equipment		**—**	(7,605)
Foreign exchange		**(2,873)**	6,791
Finance charges		**137,928**	146,360
Loss on redemption and repurchase of unsecured senior notes		**9,021**	239
Income taxes		**(100,021)**	(153,031)
Other		**(2,025)**	(1,889)
Income taxes paid		**(3,645)**	(14,605)
Income taxes recovered		**11,932**	795
Interest paid		**(136,065)**	(139,575)
Interest received		**1,865**	3,478
Funds provided by operations		**183,935**	105,375
Changes in non-cash working capital balances	*(Note 23)*	**(67,380)**	17,133
		116,555	122,508
Investments:			
Purchase of property, plant and equipment	*(Note 5)*	**(74,823)**	(203,472)
Purchase of intangibles	*(Note 6)*	**(23,179)**	—
Proceeds on sale of property, plant and equipment		**14,841**	7,840
Business acquisition, net of cash acquired		**—**	(12,200)
Income taxes recovered		**—**	2,917
Changes in non-cash working capital balances	*(Note 23)*	**(7,989)**	(9,010)
		(91,150)	(213,925)
Financing:			
Redemption and repurchase of unsecured senior notes	*(Note 11)*	**(571,975)**	(677,704)
Debt issue costs	*(Note 11)*	**(9,196)**	(10,752)
Debt amendment fees		**(1,793)**	(1,214)
Proceeds from issuance of long-term debt	*(Note 11)*	**509,180**	469,420
Issuance of common shares on the exercise of options		**—**	1,926
		(73,784)	(218,324)
Effect of exchange rate changes on cash and cash equivalents		**(2,245)**	(19,313)
Decrease in cash and cash equivalents		**(50,624)**	(329,054)
Cash and cash equivalents, beginning of year		**115,705**	444,759
Cash and cash equivalents, end of year		**$ 65,081**	$ 115,705

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

(Stated in thousands of Canadian dollars)		Shareholders' Capital *(Note 13)*	Contributed Surplus	Accumulated other Comprehensive Income *(Note 14)*	Deficit	Total Equity
Balance at January 1, 2017		$ 2,319,293	$ 38,937	$ 156,456	$ (552,568)	$ 1,962,118
Net loss for the period		—	—	—	(132,036)	(132,036)
Other comprehensive loss for the period		—	—	(24,846)	—	(24,846)
Share based compensation expense	*(Note 9)*	—	5,100	—	—	5,100
Balance at December 31, 2017		$ 2,319,293	$ 44,037	$ 131,610	$ (684,604)	$ 1,810,336

(Stated in thousands of Canadian dollars)		Shareholders' Capital *(Note 13)*	Contributed Surplus	Accumulated other Comprehensive Income *(Note 14)*	Deficit	Total Equity
Balance at January 1, 2016		$ 2,316,321	$ 35,800	$ 166,101	$ (397,013)	$ 2,121,209
Net loss for the period		—	—	—	(155,555)	(155,555)
Other comprehensive income for the period		—	—	(9,645)	—	(9,645)
Share options exercised		2,972	(1,046)	—	—	1,926
Share based compensation expense	*(Note 9)*	—	4,183	—	—	4,183
Balance at December 31, 2016		$ 2,319,293	$ 38,937	$ 156,456	$ (552,568)	$ 1,962,118

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Tabular amounts are stated in thousands of Canadian dollars except share numbers and per share amounts)

NOTE 1. DESCRIPTION OF BUSINESS

Precision Drilling Corporation (Precision or the Corporation) is incorporated under the laws of the Province of Alberta, Canada and is a provider of contract drilling and completion and production services primarily to oil and natural gas exploration and production companies in Canada, the United States and certain international locations. The address of the registered office is 800, 525 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1G1.

NOTE 2. BASIS OF PREPARATION

(a) Statement of Compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements were authorized for issue by the Board of Directors on March 9, 2018.

(b) Basis of Measurement
The consolidated financial statements have been prepared using the historical cost basis and are presented in thousands of Canadian dollars.

(c) Use of Estimates and Judgments
The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingencies. These estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The estimation of anticipated future events involves uncertainty and, consequently, the estimates used in preparation of the consolidated financial statements may change as future events unfold, more experience is acquired, or the Corporation's operating environment changes. The Corporation reviews its estimates and assumptions on an ongoing basis. Adjustments that result from a change in estimate are recorded in the period in which they become known. Significant estimates and judgments used in the preparation of the financial statements are described in Note 3(d), (g)(ii), (i) and (r).

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation
These consolidated financial statements include the accounts of the Corporation and all of its subsidiaries and partnerships, substantially all of which are wholly-owned. The financial statements of the subsidiaries are prepared for the same period as the parent entity, using consistent accounting policies. All significant intercompany balances and transactions and any unrealized gains and losses arising from intercompany transactions, have been eliminated.

Subsidiaries are entities controlled by the Corporation. Control exists when Precision has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Precision does not hold investments in any companies where it exerts significant influence and does not hold interests in any special-purpose entities.

The acquisition method is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the statement of earnings. Transaction costs, other than those associated with the issuance of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

(b) Cash and Cash Equivalents
Cash and cash equivalents consist of cash and short-term investments with original maturities of three months or less.

(c) Inventory
Inventory is primarily comprised of operating supplies and is carried at the lower of average cost, being the cost to acquire the inventory, and net realizable value. Inventory is charged to operating expenses as items are sold or consumed at the amount of the average cost of the item.

(d) Property, Plant and Equipment
Property, plant and equipment are carried at cost, less accumulated depreciation and any accumulated impairment losses.

Cost includes an expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment (repair and maintenance) are recognized in profit or loss as incurred.

Property, plant, and equipment are depreciated as follows:

	Expected Life	Salvage Value	Basis of Depreciation
Drilling rig equipment:			
– Power & Tubulars	5 years	–	straight-line
– Dynamic	10 years	–	straight-line
– Structural	20 years	10%	straight-line
Seasonal, stratification and turnkey drilling equipment	4 years	0 to 20%	straight-line
Service rig equipment	20 years	10%	straight-line
Drilling rig spare equipment	up to 15 years	–	straight-line
Service rig spare equipment	up to 15 years	–	straight-line
Rental equipment	10 to 15 years	0 to 25%	straight-line
Other equipment	3 to 10 years	–	straight-line
Light duty vehicles	4 years	–	straight-line
Heavy duty vehicles	7 to 10 years	–	straight-line
Buildings	10 to 20 years	–	straight-line

Property, plant and equipment are depreciated based on estimates of useful lives and salvage values. These estimates consider data and information from various sources including vendors, industry practice, and Precision's own historical experience and may change as more experience is gained, market conditions shift, or technological advancements are made.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal to the carrying amount of property, plant and equipment, and are recognized in the consolidated statements of loss.

Determination of which parts of the drilling rig equipment represent significant cost relative to the entire rig and identifying the consumption patterns along with the useful lives of these significant parts, are matters of judgment. This determination can be complex and subject to differing interpretations and views, particularly when rig equipment comprises individual components for which different depreciation methods or rates are appropriate.

The estimated useful lives, residual values and methods of depreciation are reviewed annually, and adjusted prospectively if appropriate.

(e) Intangibles
Intangible assets that are acquired by the Corporation with finite lives are initially recorded at estimated fair value and subsequently measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits of the specific asset to which they relate.

Intangible assets are amortized based on estimates of useful lives. These estimates consider data and information from various sources including vendors and Precision's own historical experience and may change as more experience is gained or technological advancements are made.

Amortization is recognized in profit and loss using the straight-line method over the estimated useful lives of the respective assets.

The estimated useful lives and methods of amortization are reviewed annually and adjusted prospectively if appropriate.

(f) Goodwill
Goodwill is the amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, attributed to the cash generating unit (**CGU**) or groups of cash generating units that are expected to benefit and as identified in the business combination.

(g) Impairment:

i) Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is tested for impairment if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, and indications that a debtor will enter bankruptcy. Precision considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All significant receivables found not to be specifically impaired are then collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

ii) Non-Financial Assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Judgement is required when evaluating whether a CGU has indications of impairment. For CGUs that contain goodwill and other intangible assets that have indefinite lives or that are not yet available for use, an impairment test is, at a minimum, completed annually as of December 31.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit). Judgment is required in the aggregation of assets into CGUs.

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from the cash generating unit.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Borrowing Costs

Interest and borrowing costs that are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to prepare for their intended use are capitalized as part of the cost of those assets. Capitalization ceases during any extended period of suspension of construction or when substantially all activities necessary to prepare the asset for its intended use are complete.

All other interest and borrowing costs are recognized in earnings in the period in which they are incurred.

(i) Income Taxes

Income tax expense is recognized in net earnings except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable earnings or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in net earnings in the period that includes the date of enactment or substantive enactment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities that are expected to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company is subject to taxation in numerous jurisdictions. Uncertainties exist with respect to the interpretation of complex tax regulations and requires significant judgement. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expense already recorded. The Corporation establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

(j) Revenue Recognition
The Corporation's services are generally sold based on service orders or contracts with a customer that include fixed or determinable prices based on daily, hourly or job rates. Customer contract terms do not include provisions for significant post-service delivery obligations. Revenue is recognized when services and equipment rentals are rendered and only when collectability is reasonably assured. The Corporation also provides services under turnkey contracts whereby it drills a well to an agreed upon depth under specified conditions for a fixed price, regardless of the time required or the problems encountered in drilling the well. Revenue from turnkey drilling contracts is recognized using the percentage-of-completion method based on costs incurred to date and estimated total contract costs. Anticipated losses, if any, on uncompleted contracts are recorded at the time the estimated costs exceed the contract revenue.

(k) Employee Benefit Plans
Precision sponsors various defined contribution retirement plans for its employees. The Corporation's contributions to defined contribution plans are expensed as employees earn the entitlement.

(l) Provisions
Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) Share Based Incentive Compensation Plans
The Corporation has established several cash-settled share based incentive compensation plans for non-management directors, officers, and other eligible employees. As estimated by management, the fair values of the amounts payable to eligible participants under these plans are recognized as an expense with a corresponding increase in liabilities over the period that the participants become unconditionally entitled to payment. The recorded liability is re-measured at the end of each reporting period until settlement with the resultant change to the fair value of the liability recognized in net earnings for the period. When the plans are settled, the cash paid reduces the outstanding liability.

The Corporation has implemented an employee share purchase plan that allows eligible employees to purchase common shares through payroll deductions. Under this plan, contributions made by employees are matched to a specific percentage by the Corporation. The contributions made by the Corporation are expensed as incurred.

Prior to January 1, 2012, the Corporation had an equity-settled deferred share unit plan whereby non-management directors of Precision could elect to receive all or a portion of their compensation in fully-vested deferred share units. Compensation expense was recognized based on the fair value price of the Corporation's shares at the date of grant with a corresponding increase to contributed surplus. Upon redemption of the deferred share units into common shares, the amount previously recognized in contributed surplus is recorded as an increase to shareholders' capital. The Corporation continues to have obligations under this plan.

A share option plan has been established for certain eligible employees. Under this plan, the fair value of share purchase options is calculated at the date of grant using the Black-Scholes option pricing model, and that value is recorded as

compensation expense over the grant's vesting period with an offsetting credit to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon exercise of the equity purchase option, the associated amount is reclassified from contributed surplus to shareholders' capital. Consideration paid by employees upon exercise of the equity purchase options is credited to shareholders' capital.

(n) Foreign Currency Translation
Transactions of the Corporation's individual entities are recorded in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the entities' functional currency are translated at rates in effect at the time of the transaction. At each period end, monetary assets and liabilities are translated at the prevailing period-end rates. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses are included in net earnings except for gains and losses on translation of long-term debt designated as a hedge of foreign operations, which are deferred and included in other comprehensive income.

For the purpose of preparing the Corporation's consolidated financial statements, the financial statements of each foreign operation that does not have a Canadian dollar functional currency are translated into Canadian dollars. Assets and liabilities are translated at exchange rates in effect at the period end date. Revenues and expenses are translated using average exchange rates for the month of the respective transaction. Gains or losses resulting from these translation adjustments are recognized initially in other comprehensive income and reclassified from equity to net earnings on disposal or partial disposal of the foreign operation.

(o) Per Share Amounts
Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated by using the treasury stock method for equity based compensation arrangements. The treasury stock method assumes that any proceeds obtained on exercise of equity based compensation arrangements would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the difference between the number of shares issued from the exercise of equity based compensation arrangements and shares repurchased from the related proceeds.

(p) Financial Instruments

i) Non-Derivative Financial Instruments:
Financial assets are classified as either fair value through profit and loss, loans and receivables, held to maturity or available for sale. Financial liabilities are classified as either fair value through profit and loss or other financial liabilities. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Transaction costs attributable to fair value through profit or loss items are expensed as incurred. Subsequent to initial recognition, non-derivative financial instruments are measured based on their classification.
Accounts receivable are classified as loans and receivables. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Corporation, the measured amount generally corresponds to historical cost.

Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Corporation, the measured amount generally corresponds to historical cost.

ii) Derivative Financial Instruments:
The Corporation may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in interest rates or exchange rates. These instruments are not used for trading or speculative purposes. Precision has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting, even though it considers certain financial contracts to be economic hedges. As a result, financial derivative contracts are classified as fair value through profit or loss and are recorded on the statement of financial position at estimated fair value. Transaction costs are recognized in profit or loss when incurred.

Derivatives embedded in other instruments or host contracts are separated from the host contract and accounted for separately when their economic characteristics and risks are not closely related to the host contract. Embedded derivatives are recorded on the statement of financial position at estimated fair value and changes in the fair value are recognized in earnings.

(q) Hedge Accounting
The Corporation utilizes foreign currency long-term debt to hedge its exposure to changes in the carrying values of the Corporation's net investment in certain foreign operations as a result of changes in foreign exchange rates.

To be accounted for as a hedge, the foreign currency long-term debt must be designated and documented as a hedge and must be effective at inception and on an ongoing basis. The documentation defines the relationship between the foreign currency long-term debt and the net investment in the foreign operations, as well as the Corporation's risk management objective and strategy for undertaking the hedging transaction. The Corporation formally assesses, both at inception and on an ongoing basis, whether the changes in fair value of the foreign currency long-term debt is highly effective in offsetting changes in fair value of the net investment in the foreign operations. The portion of gains or losses on the hedging item that is

determined to be an effective hedge is recognized in other comprehensive income, net of tax, and is limited to the translation gain or loss on the net investment, while the ineffective portion is recorded in earnings. If the hedging relationship is terminated or ceases to be effective, hedge accounting is not applied to subsequent gains or losses. The amounts recognized in other comprehensive income are reclassified to net earnings when corresponding exchange gains or losses arising from the translation of the foreign operation are recorded in net earnings.

(r) Critical Accounting Assumptions and Estimates

i) Impairment of Long-Lived Assets

When indications of impairment exist within a CGU, a recoverable amount is determined and requires assumptions to estimate future discounted cash flows. These estimates and assumptions include future drilling activity, margins and market conditions over the long-term life of the CGU. In selecting a discount rate, we use observable market data inputs to develop a rate that we believe approximates the discount rate from market participants.

Although we believe the estimates are reasonable and consistent with current conditions, internal planning, and expected future operations, such estimations are subject to significant uncertainty and judgment.

ii) Income taxes

Significant estimation and assumptions are required in determining the provision for income taxes. The recognition of deferred tax assets in respect of deductible temporary differences and unused tax losses and credits is based on the Corporation's estimation of future taxable profit against which these differences, losses and credits may be used. The assessment is based upon existing tax laws and estimates of the Corporation's future taxable income. These estimates may be materially different from the actual final tax return in future periods.

(s) Amendments to Accounting Standards Adopted January 1, 2017

The Corporation has applied the following mandatorily effective amendments to IFRSs in the current year. Outside of additional disclosure requirements, these amendments had no impact on the amounts recorded in the Corporation's financial statements.

i) Amendments to IAS 7 Disclosure Initiative

These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Precision's liabilities arising from financing activities consist entirely of long-term debt. A reconciliation between opening and closing balances of long-term debt has been provided in Note 11. Consistent with the transition provisions of the amendments, Precision has not disclosed comparative information for the prior year.

ii) Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

These amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the consolidated financial statements as the Corporation already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

(t) Accounting Standards, Interpretations and Amendments to Existing Standards not yet Effective

i) IFRS 9, Financial Instruments

Effective for annual periods beginning on or after January 1, 2018, IFRS 9 replaces IAS 39 Financial Instruments, Recognition and Measurement. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and the characteristics of its contractual cash flows. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset under the standard are never separated. Instead the hybrid financial instrument as a whole is assessed for classification.

For Precision, accounts receivable will continue to be classified and measured at amortized cost. Accounts payable and accrued liabilities and long-term debt will also continue to be classified and measured at amortized cost.

Impairment

IFRS 9 replaces the incurred loss model of IAS 39 with an expected credit loss model. The loss allowance to be recorded against trade receivables is measured as the lifetime expected credit losses. As the Corporation has very short credit periods for trade receivables, it does not expect it a material adjustment to its allowance for credit losses.

Hedge accounting

IFRS 9 requires entities to ensure its hedge accounting relationships align with its risk management objectives and strategies and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. This may allow for more types of instruments and risk components to qualify for hedge accounting.

Precision does not expect the application of the hedge accounting requirements under IFRS 9 to have a material impact on the consolidated financial statements.

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Corporation's disclosures about its financial instruments. The Corporation is drafting the relevant disclosures to reflect the requirements of the new standard.

ii) IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model to address how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures in order to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. It replaces existing revenue recognition guidance including IAS 18 Revenue and IAS 11 Construction Contracts.

The standard provides a principle based five-step model to be applied to all contracts with customers. This five-step model involves identifying the contract(s) with a customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations in the contract; and recognizing revenue when (or as) the entity satisfies a performance obligation.

Application of this new standard is mandatory for annual reporting periods beginning on or after January 1, 2018.

There are two methods by which the new guidance can be adopted: (1) a full retrospective approach with a restatement of all prior periods presented, or (2) a modified retrospective approach with a cumulative-effect adjustment recognized in retained earnings as of the date of adoption. Precision plans to adopt IFRS 15 using the modified retrospective method whereby the cumulative impact of adopting the standard will be recognized in retained earnings as at January 1, 2018 and the comparative periods will not be restated.

The Corporation has assessed the estimated impact that the initial application of IFRS 15 will have on its consolidated financial statements. Precision's evaluation of the new standard included the identification of accounting and disclosure gaps specific to the individual revenue streams of the Corporation, and mapping of its processes to determine whether changes were required to policies, procedures, and controls.

Precision recognizes revenue from the following major sources:

Contract Drilling Services

The Corporation contracts individual drilling rig packages, including crews and support equipment, to its customers. Depending on the customer's drilling program, contracts may be for a single well, multiple wells or a fixed term. Precision expects that revenue recognition on these contracts under IFRS 15 will be materially the same as revenue recognition under the existing standard. Revenue from contract drilling services will be recognized over time from spud to rig release, on a daily basis. Operating days are measured through the use of industry standard tour sheets that document the daily activity of the rig. Revenue will be recognized at the applicable average day rate for each well, based on rates specified in each contract.

The Corporation also provides services under turnkey contracts, whereby Precision is required to drill a well to an agreed upon depth under specified conditions for a fixed price, regardless of the time required or the problems encountered in drilling the well. Revenue from turnkey drilling contracts is recognized over time using the input method based on costs incurred to date in relation to estimated total contract costs, as that most accurately depicts the Corporation's performance. As this method is permitted under the new standard, the Corporation will continue in its application, and does not expect this to have a significant impact, if any, on its cumulative-effect adjustment.

The Corporation also provides directional drilling services, which include the provision of directional drilling equipment, tools and personnel to the wellsite, and performance of daily directional drilling services. Precision expects that revenue recognition on these contracts under IFRS 15 will be materially the same as revenue recognition under the existing standard. Directional drilling revenue will be recognized over time, upon the daily completion of operating activities. Operating days are to be measured through the use of daily tour sheets. Revenue will be recognized at the applicable day rate, as stipulated in the directional drilling contract.

Completion and Production Services

The Corporation provides a variety of well completion and production services including well servicing and snubbing. In general, service rigs do not involve long-term contracts or penalties for termination. Precision expects that revenue recognition on these contracts under IFRS 15 will be materially the same as revenue recognition under the existing standard. Revenue will be recognized daily. Operating days are measured through daily tour sheets and field tickets. Revenue will be recognized at the applicable daily or hourly rate, as stipulated in the contract.

The Corporation also offers a variety of oilfield equipment for rental to its customers. Precision expects that revenue recognition on these contracts under IFRS 15 will be materially the same as revenue recognition under the existing standard. Rental revenue will be recognized daily. Rental days are measured through field tickets. Revenue will be recognized at the applicable daily rate, as stipulated in the contract.

Based on its detailed assessment, the Corporation does not expect the application of IFRS 15 to result in a material impact to its consolidated financial statements. The actual impact of adopting the standard at January 1, 2018 may differ as the accounting policies are subject to change until the Corporation presents its first interim financial statements that include the date of initial application.

As a result of the adoption of the new standard, the Corporation will be required to include significant disclosures in the financial statements based on the prescribed requirements. These new disclosures will include information regarding the significant judgments used in evaluating how and when revenues are recognized and information related to contract assets and deferred revenues. In addition, IFRS 15 requires that the Corporation's revenue recognition policy disclosure includes additional detail regarding the various performance obligations and the nature, amount, timing, and estimates of revenues and cash flows generated from contracts with customers. The Corporation is drafting the relevant disclosures to reflect the requirements of the new standard.

iii) IFRS 16, Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It replaces existing lease guidance including IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. The new standard is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. A right-of-use asset and a corresponding liability will be recognized for all leases by the lessee except for short-term leases and leases of low value assets.

The Corporation's initial assessment indicates that many of the operating lease arrangements identified in Note 18 will meet the definition of a lease under IFRS 16 and thus be recognized in the statement of financial position as a right-of-use asset with a corresponding liability. In addition, the nature of expenses related to these arrangements will change as the current presentation of operating lease expense will be replaced with a depreciation charge for the right-of use asset and interest expense on the lease liabilities. As well, the classification of cash flows will be impacted as the current presentation of operating lease payments as operating cash flows will be split into financing (principal portion) and operating (interest portion) cash flows under IFRS 16.

Lessor accounting will not significantly change under the new standard. However, some differences may arise upon adoption of IFRS 16 as a result of new guidance on the definition of a lease. Under IFRS 16 a contract is, or contains a lease if the contract conveys control of the use of an identified asset for a period of time in exchange for some form of consideration. Precision is assessing whether this new guidance will impact the treatment of its drilling rigs under long-term contracts.

Extensive disclosures will also be required under IFRS 16.

Precision plans to apply IFRS 16 initially on January 1, 2019 using the cumulative effect method whereby the cumulative impact of adopting the standard will be recognized in retained earnings as at January 1, 2019 and the comparative periods will not be restated.

iv) IFRIC 23, Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation requires the entity to use the most likely amount or the expected value of the tax treatment if it concludes that it is not probable that a particular tax treatment will be accepted. It requires an entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight. The Corporation has yet to determine the impact this standard will have on its consolidated financial statements.

NOTE 4. RECAST OF PRIOR PERIOD AMOUNTS

During the third quarter of 2017, the Corporation changed its treatment of how certain amounts that were historically netted against operating expense should be classified. In particular, certain amounts that were historically netted against operating expenses are now treated as revenue, with a corresponding increase to operating expenses. The primary

nature of these amounts related to additional labour charges to customers above our standard drilling crew configuration and subsistence allowances paid to the drilling crew which varies depending on whether the crews were staying in a camp or hotel and equipment rental. As a result previously reported revenues and operating expenses were understated by equivalent amounts.

As well, to conform to current year presentation, certain immaterial reclassifications between operating and general administrative expenses have been made in the comparative periods.

As a result of these reclassifications, we have recast the prior year comparative amounts as follows:

Year ended December 31, 2016	As previously reported	Revenue reclassification	Expense reclassification	**As recast**
Revenue	$ 951,411	$ 51,822	$ —	**$ 1,003,233**
Expenses:				
Operating	607,295	51,822	2,598	**661,715**
General and administrative	110,287	—	(2,598)	**107,689**
Restructuring	5,754	—	—	**5,754**
Earnings before income taxes, loss on redemption and repurchase of unsecured senior notes, finance charges, foreign exchange, impairment of property, plant and equipment, gain on re-measurement of property, plant and equipment and depreciation and amortization	$ 228,075	$ —	$ —	**$ 228,075**

There is no impact on net loss and comprehensive loss and the consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows remain unchanged as a result of this recast.

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

	2017	2016
Cost	**$ 6,733,634**	$ 7,011,178
Accumulated depreciation	**(3,559,810)**	(3,369,289)
	$ 3,173,824	$ 3,641,889
Rig equipment	**2,823,782**	3,210,933
Rental equipment	**60,179**	79,398
Other equipment	**66,560**	85,731
Vehicles	**16,280**	22,030
Buildings	**71,102**	82,335
Assets under construction	**102,035**	126,430
Land	**33,886**	35,032
	$ 3,173,824	$ 3,641,889

Cost

	Rig Equipment	Rental Equipment	Other Equipment	Vehicles	Buildings	Assets Under Construction	Land	Total
Balance, December 31, 2015	$6,069,179	$ 171,220	$ 240,192	$ 43,552	$ 131,164	$ 258,952	$ 35,587	$6,949,846
Additions	88,277	92	1,092	166	913	112,932	—	203,472
Additions through business acquisition	28,125	—	—	—	—	—	—	28,125
Re-measurement to fair value before disposal	7,605	—	—	—	—	—	—	7,605
Disposals	(50,384)	(11,389)	(4,988)	(440)	—	—	—	(67,201)
Reclassifications	229,012	—	12,874	2,573	702	(245,161)	—	—
Effect of foreign currency exchange differences	(104,823)	(779)	(2,097)	(704)	(1,418)	(293)	(555)	(110,669)
Balance, December 31, 2016	6,266,991	159,144	247,073	45,147	131,361	126,430	35,032	7,011,178
Additions	21,268	71	49	42	235	53,158	—	74,823
Disposals	(71,014)	(9,758)	(785)	(339)	(930)	—	—	(82,826)
Reclassifications	67,779	84	216	113	—	(68,566)	—	(374)
Effect of foreign currency exchange differences	(250,858)	(1,530)	(1,603)	(1,762)	(3,281)	(8,987)	(1,146)	(269,167)
Balance, December 31, 2017	**$6,034,166**	**$ 148,011**	**$ 244,950**	**$ 43,201**	**$ 127,385**	**$ 102,035**	**$ 33,886**	**$6,733,634**

Accumulated Depreciation

	Rig Equipment	Rental Equipment	Other Equipment	Vehicles	Buildings	Assets Under Construction	Land	Total
Balance, December 31, 2015	$2,789,991	$ 74,220	$ 142,846	$ 18,712	$ 40,745	$ —	$ —	$3,066,514
Depreciation expense	342,224	16,039	22,504	5,060	8,591	—	—	394,418
Disposals	(32,427)	(10,246)	(3,241)	(417)	—	—	—	(46,331)
Effect of foreign currency exchange differences	(43,730)	(267)	(767)	(238)	(310)	—	—	(45,312)
Balance, December 31, 2016	3,056,058	79,746	161,342	23,117	49,026	—	—	3,369,289
Depreciation expense	334,896	15,159	19,914	5,064	8,488	—	—	383,521
Disposals	(67,304)	(6,331)	(592)	(320)	(208)	—	—	(74,755)
Impairment	15,313	—	—	—	—	—	—	15,313
Effect of foreign currency exchange differences	(128,579)	(742)	(2,274)	(940)	(1,023)	—	—	(133,558)
Balance, December 31, 2017	**$3,210,384**	**$ 87,832**	**$ 178,390**	**$ 26,921**	**$ 56,283**	**$ —**	**$ —**	**$3,559,810**

Impairment Test

Precision reviews the carrying value of its long-lived assets at each reporting period for indicators of impairment. As at December 31, 2017 the Corporation determined that the uncertainty around future activity levels within Mexico was an indicator of impairment and performed a comprehensive assessment of the carrying values of property, plant and equipment of the Mexico drilling CGU within the Contract Drilling Services segment.

The recoverable amount was determined using a value in use calculation. Projected cash flows covered a five-year period and were based on future expected outcomes taking into account existing term contracts, past experience and management's expectation of future market conditions. The primary source of cash flow information was the strategic plan approved by executives of the Corporation. The strategic plan was developed based on benchmark commodity prices and industry supply-demand fundamentals.

Cash flows used in the calculation were discounted using a discount rate specific to the Mexico drilling CGU. The discount rate derived from Precision's weighted average cost of capital, adjusted for risk factors specific to the CGU and used in determining the recoverable amount for the Mexico drilling CGU was 17.1% (2016 – 15.1%). The test resulted in an impairment charge of $15.3 million as the carrying value of the CGU's assets exceeded its value in use of $26.3 million.

NOTE 6. INTANGIBLES

		2017		2016
Cost	**$**	**39,707**	$	12,345
Accumulated amortization		**(11,591)**		(9,029)
	$	**28,116**	$	3,316
Loan commitment fees related to Senior Credit Facility	**$**	**3,120**	$	3,316
Software	**$**	**24,996**		—
	$	**28,116**	$	3,316

Cost

	Loan Commitment Fees	Software	Total
Balance, December 31, 2015	$ 11,131	$ —	$ 11,131
Additions	1,214	—	1,214
Balance, December 31, 2016	12,345	—	12,345
Additions	1,793	23,179	24,972
Reclassifications	—	2,390	2,390
Balance, December 31, 2017	**$ 14,138**	**$ 25,569**	**$ 39,707**

Accumulated Amortization

	Loan Commitment Fees	Software	Total
Balance, December 31, 2015	$ 7,768	$ —	$ 7,768
Amortization expense	1,261	—	1,261
Balance, December 31, 2016	9,029	—	9,029
Amortization expense	1,989	573	2,562
Balance, December 31, 2017	**$ 11,018**	**$ 573**	**$ 11,591**

During 2017, the Corporation spent $23.2 million upgrading its ERP system. The upgrade is expected to be completed in 2018 at which time an appropriate amortization period will be determined.

NOTE 7. GOODWILL

Balance, December 31, 2015	$	208,479
Exchange adjustment		(1,080)
Balance, December 31, 2016		207,399
Exchange adjustment		(2,232)
Balance, December 31, 2017	**$**	**205,167**

The carrying value of goodwill is comprised of $172.3 million associated with the Canada contract drilling CGU and $32.9 million associated with the U.S. directional drilling CGU. In performing its annual good will impairment tests, the Corporation used a value in use approach. Projected cash flows covered a five-year period and were based on future expected outcomes taking into account existing term contracts, past experience and management's expectation of future market conditions. The primary source of cash flow information was the strategic plans approved by executives of the Corporation. These strategic plans were developed based on benchmark commodity prices and industry supply-demand fundamentals.

Canada Contract Drilling
The Corporation performed its annual goodwill impairment test at December 31, 2017 and determined no impairment was required. The key assumptions used in the calculation of the CGU's value in use included a discount rate of 9.72% (2016 – 11.6%) and terminal value growth rates of nil (2016- nil). A discount rate higher than 13.44% would have resulted in an impairment of goodwill, with each 0.5% increase resulting in approximately $39.4 million of additional impairment charges.

US Directional Drilling
The Corporation performed its annual goodwill impairment test at December 31, 2017 and determined no impairment was required. The key assumptions used in the calculation of the CGU's value in use included a discount rate of 11.72% (2016 –

13.61%) and terminal value growth rates of nil (2016- nil). A discount rate higher than 19.21% would have resulted in an impairment of goodwill, with each 0.5% increase resulting in approximately $0.9 million of additional impairment charges.

NOTE 8. BANK INDEBTEDNESS

At December 31, 2017, Precision had available $40.0 million (2016 – $40.0 million) and US$15.0 million (2016 – US$15.0 million) under secured operating facilities, and a secured US$30.0 million (2016 – US$30.0 million) facility for the issuance of letters of credit and performance and bid bonds to support international operations. As at December 31, 2017 and 2016, no amounts had been drawn on any of the facilities. Availability of the $40.0 million and US$30.0 million facility were reduced by outstanding letters of credit in the amount of $20.8 million (2016 – $22.0 million) and US$13.3 million (2016 – US$6.5 million), respectively. The facilities are primarily secured by charges on substantially all present and future property of Precision and its material subsidiaries. Advances under the $40.0 million facility are available at the bank's prime lending rate, U.S. base rate, U.S. LIBOR plus applicable margin, or Banker's Acceptance plus applicable margin, or in combination, and under the US$15.0 million facility at the bank's prime lending rate.

NOTE 9. SHARE BASED COMPENSATION PLANS

In May 2017 shareholders approved a new omnibus equity incentive plan (Omnibus Plan) that will allow the Corporation to settle short-term incentive awards (annual bonus) and long-term incentive awards (options, performance share unit and restricted share units) issued on or after February 8, 2017 in voting shares of Precision (either issued from treasury or purchased in the open market), cash, or a combination of both. Precision intends to settle all short-term incentive, restricted share unit and non-executive performance share unit awards issued under the Omnibus Plan in cash and to settle performance share awards issued to senior executives and all options in voting shares. No further grants will be made under the legacy stock option plan, performance share unit plan or restricted share unit plan. Vesting conditions for incentive awards issued under the Omnibus Plan are unchanged from what existed under the legacy plans.

Liability Classified Plans

	Restricted Share Units	Performance Share Units	Share Appreciation Rights	Non-Management Directors' DSUs	Total
Balance, December 31, 2015	$ 10,459	$ 19,624	$ 6	$ 2,383	$ 32,472
Expensed (recovered) during the period	10,888	18,920	(3)	2,219	32,024
Payments	(5,755)	(9,499)	—	—	(15,254)
Balance, December 31, 2016	15,592	29,045	3	4,602	49,242
Expensed (recovered) during the period	2,115	(4,188)	(3)	(1,090)	(3,166)
Payments	(10,757)	(13,450)	—	—	(24,207)
Balance, December 31, 2017	**$ 6,950**	**$ 11,407**	**$ —**	**$ 3,512**	**$ 21,869**
Current	$ 4,719	$ 3,614	$ —	$ —	$ 8,333
Long-term	2,231	7,793	—	3,512	13,536
	$ 6,950	$ 11,407	$ —	$ 3,512	$ 21,869

(a) Restricted Share Units and Performance Share Units

Precision has two cash-settled share based incentive plans for officers and other eligible employees. Under the Restricted Share Unit (RSU) incentive plan, shares granted to eligible employees vest annually over a three-year term. Vested shares are automatically paid out in cash at a value determined by the fair market value of the shares at the vesting date. Under the Performance Share Unit (PSU) incentive plan, shares granted to eligible employees vest at the end of a three-year term. Vested shares are automatically paid out in cash in the first quarter following the vested term at a value determined by the fair market value of the shares at the vesting date and based on the number of performance shares held multiplied by a performance factor that ranges from zero to two times. The performance factor is based on Precision's share price performance compared to a peer group over the three-year period.

A summary of the RSUs and PSUs outstanding under these share based incentive plans is presented below:

	RSUs Outstanding	PSUs Outstanding
December 31, 2015	2,896,818	4,898,455
Granted	1,911,200	3,443,600
Redeemed	(1,311,580)	(1,136,720)
Forfeitures	(367,399)	(711,537)
December 31, 2016	3,129,039	6,493,798
Granted	1,343,669	828,400
Redeemed	(1,404,271)	(1,325,692)
Forfeitures	(271,579)	(270,247)
December 31, 2017	2,796,858	5,726,259

(b) Share Appreciation Rights

The Corporation has a U.S. dollar denominated Share Appreciation Rights (SAR) plan under which eligible participants were granted SARs that entitle the rights holder to receive cash payments calculated as the excess of the market price over the exercise price per share on the exercise date. The SARs vest over a period of five years and expire 10 years from the date of grant. At December 31, 2017 and 2016 the intrinsic value of these awards was $nil.

Share Appreciation Rights	Outstanding	Range of Exercise Price (US$)	Weighted Average Exercise Price (US$)	Exercisable
December 31, 2015	343,132	$ 15.22 – 17.38	$ 15.93	343,132
Forfeited	(89,756)	15.22 – 13.26	17.22	
December 31, 2016	253,376	15.22 – 15.79	15.47	253,376
Forfeited	(117,207)	15.22 – 17.38	15.75	
December 31, 2017	136,169	$ 15.22 – 15.22	$ 15.22	136,169

	Total SARs Outstanding and Exercisable		
Range of Exercise Prices (US$):	Number	Weighted Average Exercise Price (US$)	Weighted Average Remaining Contractual Life (Years)
$ 15.22 – 15.79	136,169	$ 15.22	0.16

(c) Non-Management Directors

Effective January 1, 2012, Precision instituted a new deferred share unit (DSU) plan for non-management directors whereby fully vested DSUs are granted quarterly based on an election by the non-management director to receive all or a portion of his or her compensation in DSUs. These DSUs are redeemable in cash or for an equal number of common shares upon the director's retirement. The redemption of DSUs in cash or common shares is solely at Precision's discretion. Non-management directors can receive a lump sum payment or two separate payments any time up until December 15 of the year following retirement. If the non-management director does not specify a redemption date, the DSUs will be redeemed on a single date six months after retirement. The cash settlement amount is based on the weighted average trading price for Precision's shares on the Toronto Stock Exchange for the five days immediately prior to payout. A summary of the DSUs outstanding under this share based incentive plan is presented below:

Deferred Share Units	Outstanding
Balance December 31, 2015	428,028
Granted	193,793
Balance December 31, 2016	621,821
Granted	331,456
Balance December 31, 2017	953,277

Equity Settled Plans

(d) Non-Management Directors

Prior to January 1, 2012, Precision had a deferred share unit plan for non-management directors. Under the plan, fully vested deferred share units were granted quarterly based on an election by the non-management director to receive all or a portion of his or her compensation in deferred share units. These deferred share units are redeemable into an equal number of common shares any time after the director's retirement. A summary of this share based incentive plan is presented below:

Deferred Share Units	Outstanding
December 31, 2016 and 2017	195,743

(e) Option Plan

The Corporation has a share option plan under which a combined total 16,569,134 options to purchase common shares are reserved to be granted to employees. Of the amount reserved, 13,752,016 options have been granted. Under this plan, the exercise price of each option equals the fair market value of the option at the date of grant determined by the weighted average trading price for the five days preceding the grant. The options are denominated in either Canadian or U.S. dollars, and vest over a period of three years from the date of grant, as employees render continuous service to the Corporation, and have a term of seven years.

A summary of the status of the equity incentive plan is presented below

Canadian Share Options	Options Outstanding	Range of Exercise Prices	Weighted Average Exercise Price	Options Exercisable
December 31, 2015	6,168,596	$ 5.22 – 14.50	$ 8.93	3,870,673
Granted	615,200	4.46 – 4.46	4.46	
Exercised	(295,768)	5.22 – 5.85	5.85	
Forfeitures	(299,356)	5.85 – 11.16	7.57	
December 31, 2016	6,188,672	4.46 – 14.50	8.70	4,369,155
Granted	377,100	7.30 – 7.30	7.30	
Forfeitures	(1,665,412)	7.32 – 14.50	8.98	
December 31, 2017	4,900,360	$ 4.46 – 14.50	$ 8.50	3,734,019

U.S. Share Options	Options Outstanding	Range of Exercise Prices (US$)	Weighted Average Exercise Price (US$)	Options Exercisable
December 31, 2015	4,582,237	$ 4.95 – 15.21	$ 8.30	2,468,185
Granted	2,130,700	3.21 – 5.02	3.30	
Exercised	(31,000)	4.95 – 4.95	4.95	
Forfeitures	(1,344,867)	3.21 – 10.74	6.86	
December 31, 2016	5,337,070	3.21 – 15.21	6.69	2,626,326
Granted	1,165,900	3.99 – 5.57	5.56	
Forfeitures	(944,349)	5.79 – 10.96	8.42	
December 31, 2017	5,558,621	$ 3.21 – 15.21	$ 6.16	2,891,808

The weighted average share price at the date of exercise for share options exercised in 2016 was $6.37 for the Canadian share options and US$5.14 for the U.S. share options.

Canadian Share Options	Total Options Outstanding			Options Exercisable	
Range of Exercise Prices:	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number	Weighted Average Exercise Price
$ 4.46 – 7.99	2,153,234	$ 6.50	4.74	986,893	$ 6.73
8.00 – 9.99	830,017	9.02	2.11	830,017	9.02
10.00 – 14.50	1,917,109	10.51	1.45	1,917,109	10.51
$ 4.46 – 14.50	4,900,360	$ 8.50	3.01	3,734,019	$ 9.18

U.S. Share Options	Total Options Outstanding			Options Exercisable	
Range of Exercise Prices (US$):	Number	Weighted Average Exercise Price (US$)	Weighted Average Remaining Contractual Life (Years)	Number	Weighted Average Exercise Price (US$)
$ 3.21 – 4.99	1,731,100	$ 3.23	5.16	572,460	$ 3.23
5.00 – 7.99	2,127,900	5.64	5.26	619,727	5.76
8.00 – 15.21	1,699,621	9.79	1.82	1,699,621	9.79
$ 3.21 – 15.21	5,558,621	$ 6.16	4.18	2,891,808	$ 7.63

The per option weighted average fair value of the share options granted during 2017 was $1.59 (2016 – $1.79) estimated on the grant date using the Black-Scholes option pricing model with the following assumptions: average risk-free interest rate of 1% (2016 – 1%), average expected life of four years (2016 – four years), expected forfeiture rate of 5% (2016 – 5%) and expected volatility of 54% (2016 – 50%). Included in net loss for the year ended December 31, 2017 is an expense of $3.2 million (2016 – $4.2 million).

(f) Executive Performance Share Units

During 2017 Precision granted PSUs to certain senior executives with the intention of settling them in voting shares of the Corporation either issued from treasury or purchased in the open market. These PSUs vest over a three year period and incorporate performance criteria established at the date of grant that can adjust the number of performance share units available for settlement from zero to two times the amount originally granted. A summary of the activity under this share based incentive plan is presented below:

	Outstanding		Weighted Fair Value
December 31, 2016	—	$	—
Granted	1,159,000		6.00
December 31, 2017	**1,159,000**	**$**	**6.00**

The per unit weighted average fair value of the performance share units granted during 2017 was $6.00 estimated on the grant date using a Monte Carlo simulation with the following assumptions: share price of $5.08, average risk-free interest rate of 1.2%, average expected life of three years, expected volatility of 60%, and an expected dividend yield of nil. Included in net loss for year ended December 31, 2017 is an expense of $1.9 million (2016 - $nil).

Employee Share Purchase Plan

The Corporation has an employee share purchase plan to encourage employees to become Precision shareholders and to attract and retain people. Under the plan, eligible employees can contribute up to 10% of their regular base salary through payroll deduction with Precision matching 20% of the employee's contribution. These contributions are used to purchase the Corporation's shares in the open market. No vesting conditions apply. During 2017, the Corporation recorded compensation expense of $0.8 million (2016 – $0.6 million) related to this plan.

NOTE 10. PROVISIONS AND OTHER

		Workers' Compensation
Balance December 31, 2015	$	18,829
Expensed during the year		2,279
Payment of deductibles and uninsured claims		(5,050)
Effects of foreign currency exchange differences		(597)
Balance December 31, 2016		15,461
Expensed during the year		2,613
Payment of deductibles and uninsured claims		(3,929)
Effects of foreign currency exchange differences		(913)
Balance December 31, 2017	**$**	**13,232**

		2017		2016
Current	**$**	**3,146**	$	3,040
Long-term		**10,086**		12,421
	$	**13,232**	$	15,461

Precision maintains a provision for the deductible and uninsured portions of workers' compensation and general liability claims. The amount accrued for the provision for losses incurred varies depending on the number and nature of the claims outstanding at the balance sheet dates. In addition, the accrual includes management's estimate of the future cost to settle each claim such as future changes in the severity of the claim and increases in medical costs. Precision uses third parties to assist in developing the estimate of the ultimate costs to settle each claim, which is based on historical experience associated with the type of each claim and specific information related to each claim. The specific circumstances of each claim may change over time prior to settlement and, as a result, the estimates made as of the balance sheet dates may change.

NOTE 11. LONG-TERM DEBT

		2017		2016
Senior Credit Facility	**$**	**—**	$	—
Unsecured senior notes:				
6.625% senior notes due 2020 (US$ nil)		**—**		499,150
6.5% senior notes due 2021 (US$248.6 million)		**312,601**		427,818
7.75% senior notes due 2023 (US$350.0 million)		**440,062**		469,945
5.25% senior notes due 2024 (US$400.0 million)		**502,928**		537,080
7.125% senior notes due 2026 (US$400.0 million)		**502,928**		—
		1,758,519		1,933,993
Less net unamortized debt issue costs		**(28,082)**		(27,059)
	$	**1,730,437**	$	1,906,934

	Senior Credit Facility	Unsecured senior notes	Debt issue costs	Total
Balance December 31, 2016	$ —	$ 1,933,993	$ (27,059)	$ 1,906,934
Changes from financing cash flows:				
Proceeds from issue of senior notes	—	509,180	—	509,180
Redemption of senior notes	—	(571,975)	—	(571,975)
Payment of debt issue costs	—	—	(9,196)	(9,196)
	—	(62,795)	(9,196)	(71,991)
Loss on redemption of unsecured senior notes	—	9,021	—	9,021
Amortization of debt issue costs	—	—	8,173	8,173
Foreign exchange adjustment	—	(121,700)	—	(121,700)
Balance December 31, 2017	**$ —**	**$ 1,758,519**	**$ (28,082)**	**$ 1,730,437**

(a) Senior Credit Facility:
The senior secured revolving credit facility (as amended, the Senior Credit Facility) provides Precision with senior secured financing for general corporate purposes, including for acquisitions, of up to US$500.0 million with a provision for an increase in the facility of up to an additional US$250.0 million. The Senior Credit Facility is secured by charges on substantially all of Precision's present and future assets and the present and future assets of its material U.S. and Canadian subsidiaries and, if necessary in order to adhere to covenants under the Senior Credit Facility, on certain assets of certain subsidiaries organized in a jurisdiction outside of Canada or the U.S.

During 2017, Precision agreed with its lending group to amend certain financial covenants and terms governing its Senior Credit Facility. These amendments among other things: (i) temporarily reduce the Covenant EBITDA (as defined in the debt agreement) to interest expense coverage ratio to the greater of or equal to 1.25:1 for the periods ending March 31, June 30 and September 30, 2017, 1.50:1 for the periods ending December 31, 2017 and March 31, 2018, 2.00:1 for the periods ending June 30, September 30, December 31, 2018 and March 31, 2019 reverting to 2.50:1 thereafter until maturity of the facility; (ii) increase the additional borrowing capacity available under the facility to US$300.0 million after the covenant relief period; (iii) extended the maturity date of the facility to November 21, 2021.

The Senior Credit Facility prevents us from making distributions prior to April 1, 2019, after which, distributions are subject to a pro-forma senior net leverage covenant of less than or equal to 1.75:1. The Senior Credit Facility also limits the redemption and repurchase of junior debt subject to a pro-forma senior net leverage covenant test of less than or equal to 1.75:1.

In addition, the Senior Credit Facility contains certain covenants that place restrictions on Precision's ability to incur or assume additional indebtedness; dispose of assets; make or pay dividends, share redemptions or other distributions; change its primary business; incur liens on assets; engage in transactions with affiliates; enter into mergers, consolidations or amalgamations; and enter into speculative swap agreements. At December 31, 2017, Precision was in compliance with the covenants of the Senior Credit Facility.

The Senior Credit Facility has a term of four years, with an annual option on Precision's part to request that the lenders extend, at their discretion, the facility to a new maturity date not to exceed five years from the date of the extension request. The current maturity date of the Senior Credit Facility is November 21, 2021.

Under the Senior Credit Facility, amounts can be drawn in U.S. dollars and/or Canadian dollars and, as at December 31, 2017 and 2016 no amounts were drawn under this facility. Up to US$200.0 million of the Senior Credit Facility is available for letters of credit denominated in U.S and/or Canadian dollars and other currencies acceptable to the fronting lender. As at December 31, 2017 outstanding letters of credit amounted to US$20.9 million (2016 – US$41.5 million).

The interest rate on loans that are denominated in U.S. dollars is, at the option of Precision, either a margin over a U.S. base rate or a margin over LIBOR. The interest rate on loans denominated in Canadian dollars is, at the option of Precision, either a margin over the Canadian prime rate or a margin over the bankers' acceptance rate; such margins will be based on the then applicable ratio of consolidated total debt to EBITDA.

(b) Unsecured Senior Notes:
Precision has outstanding the following unsecured senior notes:

6.5% US$ senior notes due 2021
These notes bear interest at a fixed rate of 6.5% per annum and mature on December 15, 2021. Interest is payable semi-annually on June 15 and December 15 of each year.

These notes are unsecured, ranking equally with existing and future senior unsecured indebtedness, and have been guaranteed by current and future U.S. and Canadian subsidiaries that guaranteed the Senior Credit Facility. These notes contain certain covenants that limit Precision's ability and the ability of certain subsidiaries to incur additional indebtedness and issue preferred stock; create liens; make restricted payments; create or permit to exist restrictions on the ability of Precision or certain subsidiaries to make certain payments and distributions; engage in amalgamations, mergers or consolidations; make certain dispositions and transfers of assets; and engage in transactions with affiliates. If the notes receive an investment grade rating by Standard & Poor's or Moody's Investors Service and Precision and its subsidiaries are not in default under the indenture governing the notes, then Precision will not be required to comply with particular covenants contained in the indenture.

Precision may redeem these notes in whole or in part before December 15, 2019, at redemption prices ranging between 102.167% and 101.083% of their principal amount plus accrued interest. Any time on or after December 15, 2019, these notes can be redeemed for their principal amount plus accrued interest. Upon specified change of control events, each holder of a note will have the right to sell to Precision all or a portion of its notes at a purchase price in cash equal to 101% of the principal amount, plus accrued interest to the date of purchase.

During 2017, Precision redeemed US$70.0 million of these notes for an aggregate purchase price of US$71.8 million. The difference was recognized as a loss on redemption of unsecured senior notes within the consolidated statement of loss.

7.75% US$ senior notes due 2023
These notes bear interest at a fixed rate of 7.75% per annum and mature on December 15, 2023. Interest is payable semi-annually on June 15 and December 15 of each year.

These notes are unsecured, ranking equally with existing and future senior unsecured indebtedness, and have been guaranteed by current and future U.S. and Canadian subsidiaries that guaranteed the Senior Credit Facility. These notes contain certain covenants that limit Precision's ability and the ability of certain subsidiaries to incur additional indebtedness and issue preferred stock; create liens; make restricted payments; create or permit to exist restrictions on the ability of Precision or certain subsidiaries to make certain payments and distributions; engage in amalgamations, mergers or consolidations; make certain dispositions and transfers of assets; and engage in transactions with affiliates. If the notes receive an investment grade rating by Standard & Poor's or Moody's Investors Service and Precision and its subsidiaries are not in default under the indenture governing the notes, then Precision will not be required to comply with particular covenants contained in the indenture.

Prior to December 15, 2019, Precision may redeem up to 35% of the 7.75% senior notes due 2023 with the net proceeds of certain equity offerings at a redemption price equal to 107.75% of the principal amount plus accrued interest. Prior to December 15, 2019, Precision may redeem these notes in whole or in part at 100.0% of their principal amount, plus accrued interest and the greater of 1.0% of the principal amount of the note to be redeemed and the excess, if any, of the present value of the December 15, 2019 redemption price plus required interest payments through December 15, 2019 (calculated using the U.S. Treasury rate plus 50 basis points) over the principal amount of the note. As well, Precision may redeem these notes in whole or in part at any time on or after December 15, 2019 and before December 15, 2021, at redemption prices ranging between 103.875% and 101.938% of their principal amount plus accrued interest. Any time on or after December 15, 2021, these notes can be redeemed for their principal amount plus accrued interest. Upon specified change of control events, each holder of a note will have the right to sell to Precision all or a portion of its notes at a purchase price in cash equal to 101% of the principal amount, plus accrued interest to the date of purchase.

5.25% US$ senior notes due 2024
These notes bear interest at a fixed rate of 5.25% per annum and mature on November 15, 2024. Interest is payable semi-annually on May 15 and November 15 of each year.

These notes are unsecured, ranking equally with existing and future senior unsecured indebtedness, and have been guaranteed by current and future U.S. and Canadian subsidiaries that guaranteed the Senior Credit Facility. These notes contain certain covenants that limit Precision's ability and the ability of certain subsidiaries to incur additional indebtedness and issue preferred stock; create liens; make restricted payments; create or permit to exist restrictions on the ability of Precision or certain subsidiaries to make certain payments and distributions; engage in amalgamations, mergers or consolidations; make certain dispositions and transfers of assets; and engage in transactions with affiliates. If the notes receive an investment grade rating by Standard & Poor's or Moody's Investors Service and Precision and its subsidiaries are not in default under the indenture governing the notes, then Precision will not be required to comply with particular covenants contained in the indenture.

Prior to May 15, 2019, Precision may redeem these notes in whole or in part at 100.0% of their principal amount, plus accrued interest and the greater of 1.0% of the principal amount of the note to be redeemed and the excess, if any, of the present value of the May 15, 2019 redemption price plus required interest payments through May 15, 2019 (calculated using the U.S. Treasury rate plus 50 basis points) over the principal amount of the note. As well, Precision may redeem these notes in whole or in part at any time on or after May 15, 2019 and before May 15, 2022, at redemption prices ranging between 102.625% and 100.875% of their principal amount plus accrued interest. Any time on or after May 15, 2022, these notes can be redeemed for their principal amount plus accrued interest. Upon specified change of control events, each holder of a note will have the right to sell to Precision all or a portion of its notes at a purchase price in cash equal to 101% of the principal amount, plus accrued interest to the date of purchase.

7.125% US$ senior notes due 2026

These notes, issued in 2017, bear interest at a fixed rate of 7.125% per annum and mature on January 15, 2026. Interest is payable semi-annually on January 15 and July 15 of each year, commencing July 15, 2018.

These notes are unsecured, ranking equally with existing and future senior unsecured indebtedness, and have been guaranteed by current and future U.S. and Canadian subsidiaries that guaranteed the Senior Credit Facility. These notes contain certain covenants that limit Precision's ability and the ability of certain subsidiaries to incur additional indebtedness and issue preferred stock; create liens; make restricted payments; create or permit to exist restrictions on the ability of Precision or certain subsidiaries to make certain payments and distributions; engage in amalgamations, mergers or consolidations; make certain dispositions and transfers of assets; and engage in transactions with affiliates. If the notes receive an investment grade rating by Standard & Poor's or Moody's Investors Service and Precision and its subsidiaries are not in default under the indenture governing the notes, then Precision will not be required to comply with particular covenants contained in the indenture.

Prior to November 15, 2020, Precision may redeem up to 35% of the 7.125% senior notes due 2026 with the net proceeds of certain equity offerings at a redemption price equal to 107.125% of the principal amount plus accrued interest. Prior to November 15, 2020, Precision may redeem these notes in whole or in part at 100.0% of their principal amount, plus accrued interest and the greater of 1.0% of the principal amount of the note to be redeemed and the excess, if any, of the present value of the November 15, 2020 redemption price plus required interest payments through November 15, 2020 (calculated using the U.S. Treasury rate plus 50 basis points) over the principal amount of the note. As well, Precision may redeem these notes in whole or in part at any time on or after November 15, 2020 and before November 15, 2022, at redemption prices ranging between 105.344% and 101.781% of their principal amount plus accrued interest. Any time on or after November 15, 2023, these notes can be redeemed for their principal amount plus accrued interest. Upon specified change of control events, each holder of a note will have the right to sell to Precision all or a portion of its notes at a purchase price in cash equal to 101% of the principal amount, plus accrued interest to the date of purchase.

The senior notes require that we comply with certain financial covenants including an incurrence based test of Consolidated Interest Coverage Ratio, as defined in the senior note agreements, of greater than or equal to 2.0:1 for the most recent four consecutive fiscal quarters. In the event that our Consolidated Interest Coverage Ratio is less than 2.0:1 for the most recent four consecutive fiscal quarters the senior notes restrict our ability to incur additional indebtedness. As at December 31, 2017, our senior notes Consolidated Interest Coverage Ratio was 2.16:1.

The senior notes also contain a restricted payments covenant that limits our ability to make payments in the nature of dividends, distributions and repurchases from shareholders. This restricted payment basket grows by, among other things, 50% of cumulative consolidated net earnings, and decreases by 100% of cumulative consolidated net losses as defined in the note agreements, and cumulative payments made to shareholders. As at December 31, 2017, the restricted payments basket was negative $213 million (2016 – negative $310 million), therefore prohibiting us from making any further dividend payments until the governing restricted payments basket once again becomes positive. No dividends have been declared or paid subsequent to December 31, 2017.

During 2017, Precision redeemed all the remaining US$371.8 million 6.625% senior notes due 2020 for an aggregate purchase price of US$377.1 million. The difference was recognized as a loss on redemption of unsecured senior notes within the consolidated statement of loss.

Long-term debt obligations at December 31, 2017 will mature as follows:

2021	$	312,601
Thereafter		1,445,918
	$	1,758,519

(c) Guarantor Disclosures

Our unsecured senior notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by all U.S. and Canadian subsidiaries that guaranteed the senior Credit Facility (**Guarantor Subsidiaries**). These Guarantor Subsidiaries are directly or indirectly 100% owned by the parent company. Separate financial statements for each of the Guarantor Subsidiaries have not been provided; instead we have included condensed consolidating financial statements based on Rule 3-10 of the U.S. Securities and Exchange Commission's Regulation S-X.

Condensed Consolidating Statement of Financial Position as at December 31, 2017

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Cash	$ 20,843	$ 5,422	$ 38,816	$ —	$ 65,081
Other current assets	38,558	261,883	76,221	3	376,665
Intercompany receivables	93,662	2,669,280	84,861	(2,847,803)	—
Investments in subsidiaries	4,822,876	61	—	(4,822,937)	—
Property, plant and equipment	64,605	2,659,831	449,917	(529)	3,173,824
Intangibles	25,644	2,472	—	—	28,116
Goodwill	—	205,167	—	—	205,167
Other long-term assets	—	53,908	3,051	(12,881)	44,078
Total assets	$ 5,066,188	$ 5,858,024	$ 652,866	$ (7,684,147)	$ 3,892,931
Liabilities and shareholders' equity					
Current liabilities	$ 36,331	$ 124,482	$ 48,812	$ —	$ 209,625
Intercompany payables and debt	1,795,141	1,000,167	52,495	(2,847,803)	—
Long-term debt	1,730,437	—	—	—	1,730,437
Other long-term liabilities	135,053	17,978	2,383	(12,881)	142,533
Total liabilities	3,696,962	1,142,627	103,690	(2,860,684)	2,082,595
Shareholders' equity	1,369,226	4,715,397	549,176	(4,823,463)	1,810,336
Total liabilities and shareholders' equity	$ 5,066,188	$ 5,858,024	$ 652,866	$ (7,684,147)	$ 3,892,931

Condensed Consolidating Statement of Financial Position as at December 31, 2016

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Cash	$ 61,794	$ 13,138	$ 40,773	$ —	$ 115,705
Other current assets	43,630	210,125	102,147	3	355,905
Intercompany receivables	1,475,431	3,024,724	68,767	(4,568,922)	—
Investments in subsidiaries	4,913,785	60	—	(4,913,845)	—
Property, plant and equipment	78,849	3,023,968	539,214	(142)	3,641,889
Intangibles	3,316	—	—	—	3,316
Goodwill	—	207,399	—	—	207,399
Total assets	$ 6,576,805	$ 6,479,414	$ 750,901	$ (9,482,906)	$ 4,324,214
Liabilities and shareholders' equity					
Current liabilities	$ 42,657	$ 126,870	$ 71,209	$ —	$ 240,736
Intercompany payables and debt	3,071,032	1,412,257	85,633	(4,568,922)	—
Long-term debt	1,906,934	—	—	—	1,906,934
Other long- term liabilities	181,940	32,781	(295)	—	214,426
Total liabilities	5,202,563	1,571,908	156,547	(4,568,922)	2,362,096
Shareholders' equity	1,374,242	4,907,506	594,354	(4,913,984)	1,962,118
Total liabilities and shareholders' equity	$ 6,576,805	$ 6,479,414	$ 750,901	$ (9,482,906)	$ 4,324,214

Condensed Consolidating Statement of Loss for the Year ended December 31, 2017

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenue	$ 89	$ 1,138,049	$ 190,401	$ (7,315)	$ 1,321,224
Operating expense	138	809,233	124,115	(7,315)	926,171
General and administrative expense	35,605	44,932	9,535	—	90,072
Earnings (loss) before income taxes, loss on redemption and repurchase of unsecured senior notes, finance charges, foreign exchange, impairment of property, plant and equipment and depreciation and amortization	(35,654)	283,884	56,751	—	304,981
Depreciation and amortization	13,118	302,958	61,450	220	377,746
Impairment of property, plant and equipment	—	15,313	—	—	15,313
Operating loss	(48,772)	(34,387)	(4,699)	(220)	(88,078)
Foreign exchange	(2,375)	(889)	294	—	(2,970)
Finance charges	138,027	(68)	(31)	—	137,928
Loss on redemption and repurchase of unsecured senior notes	9,021	—	—	—	9,021
Equity in loss of subsidiaries	(12,383)	—	—	12,383	—
Loss before tax	(181,062)	(33,430)	(4,962)	(12,603)	(232,057)
Income taxes	(47,567)	(59,120)	6,666	—	(100,021)
Net loss	$ (133,495)	$ 25,690	$ (11,628)	$ (12,603)	$ (132,036)

Condensed Consolidating Statement of Loss for the Year ended December 31, 2016

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenue	$ 103	$ 846,867	$ 169,287	$ (13,024)	$ 1,003,233
Operating expense	160	551,538	123,041	(13,024)	661,715
General and administrative expense	37,193	59,323	11,173	—	107,689
Restructuring	285	5,469	—	—	5,754
Earnings (loss) before income taxes, loss on redemption and repurchase of unsecured senior notes, finance charges, foreign exchange, gain re-measurement of property, plant and equipment and depreciation and amortization	(37,535)	230,537	35,073	-	228,075
Depreciation and amortization	13,828	324,649	52,957	225	391,659
Gain on re-measurement of property, plant and equipment	—	(7,605)	—	—	(7,605)
Operating loss	(51,363)	(86,507)	(17,884)	(225)	(155,979)
Foreign exchange	6,731	(2,121)	1,398	—	6,008
Finance charges	146,053	118	189	—	146,360
Loss on redemption and repurchase of unsecured senior notes	239	—	—	—	239
Equity in loss of subsidiaries	23,042	—	—	(23,042)	—
Loss before tax	(227,428)	(84,504)	(19,471)	22,817	(308,586)
Income taxes	(72,098)	(83,404)	2,471	—	(153,031)
Net loss	$ (155,330)	$ (1,100)	$ (21,942)	$ 22,817	$ (155,555)

Condensed Consolidating Statement of Comprehensive Loss for the Year ended December 31, 2017

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net loss	$ (133,495)	$ 25,690	$ (11,628)	$ (12,603)	$ (132,036)
Other comprehensive income (loss)	121,699	(110,717)	(35,661)	(167)	(24,846)
Comprehensive loss	$ (11,796)	$ (85,027)	$ (47,289)	$ (12,770)	$ (156,882)

Condensed Consolidating Statement of Comprehensive Loss for the Year ended December 31, 2016

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net loss	$ (155,330)	$ (1,100)	$ (21,942)	$ 22,817	$ (155,555)
Other comprehensive income (loss)	66,963	(62,459)	(11,270)	(2,879)	(9,645)
Comprehensive income (loss)	$ (88,367)	$ (63,559)	$ (33,212)	$ 19,938	$ (165,200)

Condensed Consolidating Statement of Cash Flow for the Year ended December 31, 2017

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Cash provided by (used in):					
Operations	$ (160,698)	$ 243,364	$ 33,889	$ —	$ 116,555
Investments	191,638	(58,942)	(11,152)	(212,694)	(91,150)
Financing	(73,784)	(190,360)	(22,334)	212,694	(73,784)
Effects of exchange rate changes on cash and cash equivalents	1,893	(1,778)	(2,360)	—	(2,245)
Decrease in cash and cash equivalents	(40,951)	(7,716)	(1,957)	—	(50,624)
Cash and cash equivalents, beginning of year	61,794	13,138	40,773	—	115,705
Cash and cash equivalents, end of year	$ 20,843	$ 5,422	$ 38,816	$ —	$ 65,081

Condensed Consolidating Statement of Cash Flow for the Year ended December 31, 2016

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Cash provided by (used in):					
Operations	$ (185,430)	$ 298,342	$ 9,596	$ —	$ 122,508
Investments	145,451	(65,939)	(149,151)	(144,286)	(213,925)
Financing	(218,324)	(257,263)	112,977	144,286	(218,324)
Effects of exchange rate changes on cash and cash equivalents	(10,661)	(5,041)	(3,611)	—	(19,313)
Increase (decrease) in cash and cash equivalents	(268,964)	(29,901)	(30,189)	—	(329,054)
Cash and cash equivalents, beginning of year	330,758	43,039	70,962	—	444,759
Cash and cash equivalents, end of year	$ 61,794	$ 13,138	$ 40,773	$ -	$ 115,705

NOTE 12. INCOME TAXES

The provision for income taxes differs from that which would be expected by applying statutory Canadian income tax rates.

A reconciliation of the difference for the years ended December 31, is as follows:

	2017	2016
Loss before income taxes	$ **(232,057)**	$ (308,586)
Federal and provincial statutory rates	**27%**	27%
Tax at statutory rates	$ **(62,655)**	$ (83,318)
Adjusted for the effect of:		
Non-deductible expenses	**2,672**	3,473
Non-taxable capital gains	**(175)**	(4,461)
Income taxed at lower rates	**(42,334)**	(43,232)
Impact of foreign tax rates	**(2,814)**	(23,658)
Withholding taxes	**1,165**	1,638
Taxes related to prior years	**(618)**	(1,227)
Other	**4,738**	(2,246)
Income tax recovery	$ **(100,021)**	$ (153,031)

On December 22, 2017, the United States government enacted new tax legislation which affects the taxation of Precision's U.S. subsidiaries. In additional to changing certain U.S. federal income tax laws, this new tax legislation reduced the U.S. federal income tax rate from 35% to 21% effective January 1, 2018. Precision will also be affected by the provisions within this legislation that will limit the deductibility of interest by its U.S. subsidiaries under its current financing arrangements and repeal the alternative minimum tax. Precision has recorded; a $15.8 million deferred income tax expense on the revaluation of its U.S. subsidiaries net deferred income tax assets which incorporates the reduction in the U.S. federal income tax rate and the expected impact of other applicable provisions within the new U.S tax legislation. The Corporation has also recognized a $2.3 million long-term receivable for the recovery of its U.S. subsidiaries alternative minimum tax carryforward balance.

The net deferred tax liability is comprised of the tax effect of the following temporary differences:

		2017		2016
Deferred income tax liability:				
Property, plant and equipment and intangibles	$	**454,613**	$	629,967
Debt issue costs		**3,352**		4,215
Other		**6,709**		6,159
		464,674		640,341
Offsetting of assets and liabilities		**(345,763)**		(465,723)
		118,911		174,618
Deferred income tax assets:				
Losses (expire from time to time up to 2036)		**368,133**		418,253
Partnership deferrals		**335**		16,447
Long-term incentive plan		**7,935**		18,270
Other		**11,182**		12,753
		387,585		**465,723**
Offsetting of assets and liabilities		**(345,763)**		(465,723)
		41,822		—
Net deferred income tax liability	$	**77,089**	$	174,618

Included in the deferred income tax assets is $38.8 million (2016 – $14.0 million liability) of tax-effected temporary differences related to the Corporation's U.S. operations.

The Corporation has certain loss carryforwards in the U.S. and international locations for which it is unlikely that sufficient future taxable income will be available. Accordingly, the Corporation has not recognized a deferred income tax asset on these losses totaling $31.5 million.

The movement in temporary differences is as follows:

	Property, Plant and Equipment and Intangibles	Partnership Deferrals	Other Deferred Income Tax Liabilities	Losses	Debt Issue Costs	Long-Term Incentive Plan	Other Deferred Income Tax Assets	Net Deferred Income Tax Liability
Balance, December 31, 2015	637,106	12,604	4,668	(335,966)	5,802	(12,477)	(8,271)	303,466
Recognized in net loss	5,960	(29,051)	1,483	(88,119)	(1,587)	(5,979)	(4,543)	(121,836)
Recognized in other comprehensive loss	—	—	—	(2,933)	—	—	—	(2,933)
Effect of foreign currency exchange differences	(13,099)	—	8	8,765	—	186	61	(4,079)
Balance, December 31, 2016	$ 629,967	$ (16,447)	$ 6,159	$ (418,253)	$ 4,215	$ (18,270)	$ (12,753)	$ 174,618
Recognized in net loss	(149,489)	16,112	545	24,124	(863)	9,651	1,230	(98,690)
Effect of foreign currency exchange differences	(25,865)	—	5	25,996	—	684	341	1,161
Balance, December 31, 2017	$ 454,613	$ (335)	$ 6,709	$ (368,133)	$ 3,352	$ (7,935)	(11,182)	$ 77,089

On December 31, 2017, Precision had $2.0 million (2016 – $1.9 million) of unrecognized tax benefits that, if recognized, would have a favourable impact on Precision's effective income tax rate in future periods. Precision classifies interest accrued on unrecognized tax benefits and income tax penalties as income tax expense. Included in the unrecognized tax benefit, as at December 31, 2017 was interest and penalties of $0.5 million (2016 – $0.4 million).

Reconciliation of Uncertain Tax Positions

		2017		2016
Unrecognized tax benefits, beginning of year	$	**1,923**	$	19,618
Additions:				
Prior year's tax positions		**57**		56
Reductions:				
Prior year's tax positions		**—**		(17,751)
Unrecognized tax benefits, end of year	$	**1,980**	$	1,923

It is anticipated that approximately $nil (2016 – $nil) of unrecognized tax positions that relate to prior year activities will be realized during the next 12 months. Subject to the results of audit examinations by taxing authorities and/or legislative changes by taxing jurisdictions, Precision does not anticipate further adjustments of unrecognized tax positions during the next 12 months that would have a material impact on the financial statements.

NOTE 13. SHAREHOLDERS' CAPITAL

(a) Authorized

- unlimited number of voting common shares
- unlimited number of preferred shares, issuable in series, limited to an amount equal to one half of the issued and outstanding common shares

(b) Issued

Common shares	Number		Amount
Balance, December 31, 2016 and 2017	**293,238,858**	**$**	**2,319,293**

(c) Dividends
On February 11, 2016, Precision suspended its dividend.

NOTE 14. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Unrealized Foreign Currency Translation Gains (Losses)	Foreign Exchange Gain (Loss) on Net Investment Hedge	Accumulated Other Comprehensive Income
December 31, 2015	$ 663,886	$ (497,785)	$ 166,101
Other comprehensive loss	(76,608)	66,963	(9,645)
December 31, 2016	587,278	(430,822)	156,456
Other comprehensive loss	(146,545)	121,699	(24,846)
December 31, 2017	**$ 440,733**	**$ (309,123)**	**$ 131,610**

NOTE 15. FINANCE CHARGES

	2017		2016
Interest:			
Long-term debt	**$ 128,381**	$	138,335
Other	**1,083**		226
Income	**(1,858)**		(3,445)
Amortization of debt issue costs	**10,162**		11,244
Other	**160**		—
Finance charges	**$ 137,928**	$	146,360

NOTE 16. EMPLOYEE BENEFIT PLANS

The Corporation has a defined contribution pension plan covering a significant number of its employees. Under this plan, the Corporation matches individual contributions up to 5% of the employee's eligible compensation. Total expense under the defined contribution plan in 2017 was $10.4 million (2016 – $8.6 million).

NOTE 17. RELATED PARTY TRANSACTIONS

Compensation of Key Management Personnel
The remuneration of key management personnel is as follows:

	2017		2016
Salaries and other benefits	**$ 6,078**	$	6,983
Equity settled share based compensation	**3,036**		2,749
Cash settled share based compensation	**(3,945)**		8,629
	$ 5,169	$	18,361

Key management personnel are comprised of the directors and executive officers of the Corporation. Certain executive officers have entered into employment agreements with Precision that provide termination benefits of up to 24 months base salary plus up to two times targeted incentive compensation upon dismissal without cause.

NOTE 18. COMMITMENTS

Operating Lease Commitments
The Corporation has commitments under various operating lease agreements, primarily for vehicles and office space. Terms of the office leases run for a period of one to 10 years while the vehicle leases are typically for terms of between three and four years. Expected non-cancellable operating lease payments are as follows:

		2017		2016
Less than one year	**$**	**12,248**	$	16,564
Between one and five years		**27,445**		35,615
Later than five years		**21,909**		—
	$	**61,602**	$	52,179

One of the leased properties was sublet by the Corporation.

The following amounts were recognized as expenses in respect of operating leases in the consolidated statements of loss:

		2017		2016
Operating leases	**$**	**16,311**	$	18,084
Sub-lease recoveries		**(441)**		(587)
	$	**15,870**	$	17,497

Capital Commitments
At December 31, 2017, the Corporation had commitments to purchase property, plant and equipment totaling $132.9 million (2016 – $141.6 million). Payments of $5.2 million for these commitments are expected to be made in 2018, $36.5 million in 2019, $73.0 million in 2020 and $18.2 million in 2021.

NOTE 19. PER SHARE AMOUNTS

The following tables reconcile the net loss and weighted average shares outstanding used in computing basic and diluted loss per share:

		2017		2016
Net loss – basic and diluted	**$**	**(132,036)**	$	(155,555)

(Stated in thousands)	2017	2016
Weighted average shares outstanding – basic	**293,239**	293,133
Effect of stock options and other equity compensation plans	**—**	—
Weighted average shares outstanding – diluted	**293,239**	293,133

NOTE 20. SEGMENTED INFORMATION

The Corporation operates primarily in Canada, the United States and certain international locations, in two industry segments; Contract Drilling Services and Completion and Production Services. Contract Drilling Services includes drilling rigs, directional drilling, procurement and distribution of oilfield supplies, and the manufacture, sale and repair of drilling equipment. Completion and Production Services includes service rigs, snubbing units, oilfield equipment rental, camp and catering services, and wastewater treatment units.

2017	Contract Drilling Services	Completion and Production Services	Corporate and Other	Inter-Segment Eliminations	Total
Revenue	$ 1,173,930	$ 154,146	$ —	$ (6,852)	$ 1,321,224
Operating loss	(6,930)	(17,750)	(63,398)	—	(88,078)
Depreciation and amortization	334,587	29,638	13,521	—	377,746
Impairment of property, plant and equipment	15,313	—	—	—	15,313
Total assets	3,491,393	209,353	192,185	—	3,892,931
Goodwill	205,167	—	—	—	205,167
Capital expenditures	69,076	4,509	24,417	—	98,002

2016	Contract Drilling Services	Completion and Production Services	Corporate and Other	Inter-Segment Eliminations	Total
Revenue	$ 907,821	$ 100,049	$ —	$ (4,637)	$ 1,003,233
Operating loss	(51,354)	(25,316)	(79,309)	—	(155,979)
Depreciation and amortization	348,005	29,272	14,382	—	391,659
Total assets	3,914,604	217,064	192,546	—	4,324,214
Goodwill	207,399	—	—	—	207,399
Capital expenditures*	196,013	1,204	6,255	—	203,472

*- excludes business acquisitions

The Corporation's operations are carried on in the following geographic locations:

2017	Canada	United States	International	Inter-Segment Eliminations	Total
Revenue	$ 578,817	$ 568,573	$ 190,401	$ (16,567)	$ 1,321,224
Total assets	1,631,838	1,666,368	594,725	—	3,892,931

2016	Canada	United States	International	Inter-Segment Eliminations	Total
Revenue	$ 418,030	$ 426,546	$ 169,286	$ (10,629)	$ 1,003,233
Total assets	1,738,853	1,861,908	723,453	—	4,324,214

During the years ended December 31, 2017 and 2016, no one individual customer accounted for more than 10% of the Corporation's total revenue.

NOTE 21. FINANCIAL INSTRUMENTS

Financial Risk Management
The Board of Directors is responsible for identifying the principal risks of Precision's business and for ensuring the implementation of systems to manage these risks. With the assistance of senior management, who report to the Board of Directors on the risks of Precision's business, the Board of Directors considers such risks and discusses the management of such risks on a regular basis.

Precision has exposure to the following risks from its use of financial instruments:

(a) Credit Risk
Accounts receivable includes balances from a large number of customers primarily operating in the oil and gas industry. The Corporation manages credit risk by assessing the creditworthiness of its customers before providing services and on an ongoing basis, and by monitoring the amount and age of balances outstanding. In some instances, the Corporation will take additional measures to reduce credit risk including obtaining letters of credit and prepayments from customers. When indicators of credit problems appear, the Corporation takes appropriate steps to reduce its exposure including negotiating with the customer, filing liens and entering into litigation. Precision's most significant customer accounted for $11.7 million of the trade receivables amount at December 31, 2017 (2016 – $8.6 million).

The movement in the allowance for doubtful accounts during the year was as follows:

	2017	2016
Balance at January 1	**$ 6,072**	$ 9,089
Impairment loss recognized	**56**	188
Amounts written-off as uncollectible	**(3,296)**	(218)
Impairment loss reversed	**(30)**	(2,786)
Effect of movement in exchange rates	**(206)**	(201)
Balance at December 31	**$ 2,596**	$ 6,072

The ageing of trade receivables at December 31 was as follows:

	2017		2016	
	Gross	**Provision for Impairment**	Gross	Provision for Impairment
Not past due	**$ 92,880**	**$ —**	$ 94,988	$ —
Past due 0 – 30 days	**66,723**	**—**	38,130	—
Past due 31 – 120 days	**19,410**	**580**	14,921	—
Past due more than 120 days	**2,016**	**2,016**	8,175	6,072
	$ 181,029	**$ 2,596**	$ 156,214	$ 6,072

(b) Interest Rate Risk
As at December 31, 2017 and 2016, all of Precision's long-term debt, with the exception of the Senior Credit Facility, bears fixed interest rates. As a result, Precision is not exposed to significant fluctuations in interest expense as a result of changes in interest rates.

(c) Foreign Currency Risk
The Corporation is primarily exposed to foreign currency fluctuations in relation to the working capital of its foreign operations and certain long-term debt facilities of its Canadian operations. The Corporation has no significant exposures to foreign currencies other than the U.S. dollar. The Corporation monitors its foreign currency exposure and attempts to minimize the impact by aligning appropriate levels of U.S. denominated debt with cash flows from U.S. based operations.

The following financial instruments were denominated in U.S. dollars:

	2017		2016	
	Canadian Operations (1)	**Foreign Operations**	Canadian Operations (1)	Foreign. Operations
Cash	**$ 1,720**	**$ 39,636**	$ 37,583	$ 45,800
Accounts receivable	**—**	**152,216**	—	144,302
Accounts payable and accrued liabilities	**(13,221)**	**(98,008)**	(20,054)	(106,635)
Long-term liabilities, excluding long-term incentive plans	**—**	**(8,023)**	—	(9,251)
Net foreign currency exposure	**$ (11,501)**	**$ 85,821**	$ 17,529	$ 74,216
Impact of $0.01 change in the U.S. dollar to Canadian dollar exchange rate on net loss	**$ (115)**	**$ —**	$ 175	$ —
Impact of $0.01 change in the U.S. dollar to Canadian dollar exchange rate on comprehensive loss	**$ —**	**$ 858**	$ —	$ 742

(1) Excludes U.S. dollar long-term debt that has been designated as a hedge of the Corporation's net investment in certain self-sustaining foreign operations.

(d) Liquidity Risk
Liquidity risk is the exposure of the Corporation to the risk of not being able to meet its financial obligations as they become due. The Corporation manages liquidity risk by monitoring and reviewing actual and forecasted cash flows to ensure there are available cash resources to meet these needs. The following are the contractual maturities of the Corporation's financial liabilities and other contractual commitments as at December 31, 2017:

	2018	2019	2020	2021	2022	Thereafter	Total
Accounts payable and accrued liabilities	$ 209,625	$ —	$ —	$ —	$ —	$ —	$ 209,625
Share based compensation	8,658	14,057	4,943	—	—	—	27,658
Long-term debt	—	—	—	312,601	—	1,445,918	1,758,519
Interest on long-term debt (1)	116,661	116,661	116,661	115,815	96,342	191,185	753,325
Commitments	17,435	45,077	80,019	24,664	5,398	21,909	194,502
Total	$ 352,379	$ 175,795	$ 201,623	$ 453,080	$ 101,740	$ 1,659,012	$ 2,943,629

(1) Interest has been calculated based on debt balances, interest rates, and foreign exchange rates in effect as at December 31, 2017 and excludes amortization of long-term debt issue costs.

Fair Values
The carrying value of cash, accounts receivable, and accounts payable and accrued liabilities approximates their fair value due to the relatively short period to maturity of the instruments. The fair value of the unsecured senior notes at December 31, 2017 was approximately $1,765 million (2016 – $1,917 million).

Financial assets and liabilities recorded or disclosed at fair value in the consolidated statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels are based on the amount of subjectivity associated with the inputs in the fair determination and are as follows:

Level I—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II—Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level III—Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The estimated fair value of unsecured senior notes is based on level II inputs. The fair value is estimated considering the risk free interest rates on government debt instruments of similar maturities, adjusted for estimated credit risk, industry risk and market risk premiums.

NOTE 22. CAPITAL MANAGEMENT

The Corporation's strategy is to carry a capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Corporation seeks to maintain a balance between the level of long-term debt and shareholders' equity to ensure access to capital markets to fund growth and working capital given the cyclical nature of the oilfield services sector. The Corporation strives to maintain a conservative ratio of long-term debt to long-term debt plus equity. As at December 31, 2017 and 2016, these ratios were as follows:

		2017		2016
Long-term debt	**$**	**1,730,437**	$	1,906,934
Shareholders' equity		**1,810,336**		1,962,118
Total capitalization	**$**	**3,540,773**	$	3,869,052
Long-term debt to long-term debt plus equity ratio		**0.49**		0.49

As at December 31, 2017, liquidity remained sufficient as Precision had $65.1 million (2016 – $115.7 million) in cash and access to the US$500.0 million Senior Credit Facility (2016 – US$550.0 million) and $96.6 million (2016 – $100.4 million) secured operating facilities. As at December 31, 2017, no amounts (2016 – US$ nil) were drawn on the Senior Credit Facility with availability reduced by US$20.9 million (2016 – US$41.5 million) in outstanding letters of credit. Availability of the $40.0 million secured operating facility and US$30.0 million secured facilitiy for the issuance of letters of credit and performance and bid bonds were reduced by outstanding letters of credit of $20.8 million (2016 – $22.0 million) and US$13.3 million (2016 – US$ 6.5 million), respectively. There was no amount drawn on the US$15.0 million secured operating facility.

NOTE 23. SUPPLEMENTAL INFORMATION

Components of changes in non-cash working capital balances are as follows:

		2017		2016
Accounts receivable	**$**	**(41,309)**	$	11,688
Inventory		**(3,902)**		(429)
Accounts payable and accrued liabilities		**(30,158)**		(3,136)
	$	**(75,369)**	$	8,123
Pertaining to:				
Operations	**$**	**(67,380)**	$	17,133
Investments	**$**	**(7,989)**	$	(9,010)

The components of accounts receivable are as follows:

		2017		2016
Trade	**$**	**178,433**	$	150,142
Accrued trade		**91,708**		87,685
Prepaids and other		**52,444**		55,855
	$	**322,585**	$	293,682

The components of accounts payable and accrued liabilities are as follows:

		2017		2016
Accounts payable	**$**	**87,436**	$	73,239
Accrued liabilities:				
Payroll		**58,550**		59,595
Other		**63,639**		107,902
	$	**209,625**	$	240,736

Precision presents expenses in the consolidated statements of earnings by function with the exception of depreciation and amortization, gain on re-measurement of property, plant and equipment, loss on asset decommissioning, and impairment of property, plant and equipment, which are presented by nature. Operating expense and general and administrative expense would include $364.2 million and $13.5 million (2016 – $369.7 million and $14.4 million), respectively, of depreciation and amortization, gain on re-measurement of property, plant and equipment, loss on asset decommissioning and impairment of property, plant and equipment if the statements of earnings were presented purely by function. The following table presents operating and general and administrative expenses by nature:

		2017		2016
Wages, salaries and benefits	**$**	**580,482**	$	463,113
Purchased materials, supplies and services		**433,827**		275,840
Share-based compensation		**1,934**		36,205
	$	**1,016,243**	$	775,158
Allocated to:				
Operating expense	**$**	**926,171**	$	661,715
General and administrative		**90,072**		107,689
Restructuring		**—**		5,754
	$	**1,016,243**	$	775,158

NOTE 24. CONTINGENCIES AND GUARANTEES

The business and operations of the Corporation are complex and the Corporation has executed a number of significant financings, business combinations, acquisitions and dispositions over the course of its history. The computation of income taxes payable as a result of these transactions involves many complex factors as well as the Corporation's interpretation of relevant tax legislation and regulations. The Corporation's management believes that the provision for income tax is adequate and in accordance with IFRS and applicable legislation and regulations. However, there are tax filing positions that have been and can still be the subject of review by taxation authorities who may successfully challenge the Corporation's interpretation of the applicable tax legislation and regulations, with the result that additional taxes could be payable by the Corporation.

The Corporation, through the performance of its services, product sales and business arrangements, is sometimes named as a defendant in litigation. The outcome of such claims against the Corporation is not determinable at this time; however, their ultimate resolution is not expected to have a material adverse effect on the Corporation.

The Corporation has entered into agreements indemnifying certain parties primarily with respect to tax and specific third party claims associated with businesses sold by the Corporation. Due to the nature of the indemnifications, the maximum exposure under these agreements cannot be estimated. No amounts have been recorded for the indemnities as the Corporation's obligations under them are not probable or estimable.

NOTE 25. SUBSIDIARIES

Significant Subsidiaries

		Ownership Interest	
	Country of Incorporation	**2017**	2016
Precision Limited Partnership	Canada	**100**	100
Precision Drilling Canada Limited Partnership	Canada	**100**	100
Precision Diversified Oilfield Services Corp.	Canada	**100**	100
Precision Directional Services Ltd.	Canada	**100**	100
Precision Drilling (US) Corporation	United States	**100**	100
Precision Drilling Company LP	United States	**100**	100
Precision Completion & Production Services Ltd.	United States	**100**	100
Precision Directional Services, Inc.	United States	**100**	100
Grey Wolf Drilling Limited	Barbados	**100**	100
Grey Wolf Drilling (Barbados) Ltd.	Barbados	**100**	100