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

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

For the fiscal year ended December 31, 2014

Commission file number: 001-14534

PRECISION DRILLING CORPORATION

(Exact name of Registrant as specified in its charter)

Alberta, Canada	**1381**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(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:

þ Annual Information Form þ 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: 292,819,921 Common Shares outstanding as at December 31, 2014.

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.

þ 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

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.**
S-8	333-194966
S-8	333-189046
S-8	333-189045
F-10	333-202166

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, 2014, filed as Exhibit 99.1 (the “Annual Information Form”) and “Evaluation of Controls and Procedures” in Management’s Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2014, 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” and “Report of Independent Registered Public Accounting Firm” in the Consolidated Financial Statements for the fiscal year ended December 31, 2014, filed as Exhibit 99.3. Also see “Internal Control Over Financial Reporting” in the Annual Information Form.

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 Patrick M. Murray, Brian J. Gibson, Allen R. Hagerman and William T. Donovan 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 and Ethics (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 2014 fiscal year.

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: William T. Donovan
Brian J. Gibson
Patrick M. Murray
Robert L. Phillips

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 Neveu*
Name: Kevin A. Neveu
Title: President and Chief Executive Officer

Date: March 13, 2015

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, 2014.
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2014.
99.3	Consolidated Financial Statements for the fiscal year ended December 31, 2014.

Exhibit 23.1

KPMG LLP
205 - 5th Avenue SW
Suite 3100, Bow Valley Square 2
Calgary AB
T2P 4B9

Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

Consent of Independent Registered Public Accounting Firm

To the Board of Directors of Precision Drilling Corporation

We consent to the use of our report, each dated March 6, 2015, with respect to the consolidated statements of financial position of Precision Drilling Corporation as at December 31, 2014 and December 31, 2013, the consolidated statements of earnings, comprehensive income, changes in equity and cash flow for the years then ended, and the effectiveness of internal control over financial reporting as of December 31, 2014 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) on Form S-8 and the Registration Statement (No. 333-202166) on Form-10.

KPMG LLP

Chartered Accountants

March 13, 2015
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.

KPMG Confidential

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, 2015

By: */s/ Kevin Neveu*

Kevin A. Neveu, President & Chief Executive Officer
of 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, Robert J. McNally, 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, 2015

By: */s/ Robert McNally*
Robert J. McNally, Executive 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, 2014, 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, 2015

By: */s/ Kevin 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, 2014, 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, 2015

By: */s/ Robert McNally*
Robert J. McNally, Executive Vice President and
Chief Financial Officer of
Precision Drilling Corporation

Exhibit 99.1

Precision Drilling Corporation

For the fiscal year ended
December 31, 2014

March 13, 2015

Annual Information Form



Precision

Annual Information Form

Precision Drilling Corporation
2014

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IMPORTANT INFORMATION ABOUT THIS DOCUMENT

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

Unless specified otherwise, information in this AIF is as of December 31, 2014. All amounts are in Canadian dollars unless we note 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”).

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

- the number of new rigs to be added to our fleet in 2015
- the refund of $55 million in previously paid Ontario income taxes of our wholly-owned subsidiary following the conclusion of litigation with the Ontario Minister of Revenue
- the expected use of net proceeds from our 2014 senior unsecured note offering
- the commencement of drilling operations in the country of Georgia
- our ability to continue to pay dividends on our common shares.

These 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:

- the status of current negotiations with our customers and vendors
- continued market demand for our 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 where we operate.

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 that could cause actual results to differ materially from our expectations. Such risks and uncertainties include, but are not limited to, the following:

- volatility in the price and demand for oil and natural gas
- fluctuations in customer spending and its impact on the demand for contract drilling, well servicing and ancillary oilfield services
- the risks associated with our investments in capital assets and changing technology
- shortages, delays and interruptions in the delivery of equipment, supplies and other key inputs
- the effects of seasonal and weather conditions on operations and facilities
- the availability of qualified personnel and management
- the existence of competitive operating risks inherent in our businesses
- changes in environmental and safety rules or regulations including increased regulatory scrutiny on horizontal drilling and hydraulic fracturing
- terrorism, social, civil and political unrest in the foreign jurisdictions where we operate
- fluctuations in foreign exchange, interest rates and tax rates
- other unforeseen conditions which could impact the use of services supplied by Precision and Precision’s ability to respond to such conditions.

You are cautioned that the foregoing list of risk factors is not exhaustive. Other risks and uncertainties are outlined in this AIF under the heading *Risks in Our Business*, starting on page 21.

All of the forward-looking information and statements made in this AIF are expressly qualified by these cautionary statements. 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 and 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 applicable securities law.

About Registered Trademarks

We own registered trademarks, service marks and trade names that we use in our business including *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 is an independent North American provider of oil and natural gas drilling and related services and products. We specialize in providing onshore drilling services in most major conventional and unconventional oil and natural gas basins in Canada and the United States (**U.S.**). We also have drilling operations in Mexico, Saudi Arabia, the Kurdistan region of Iraq, and Kuwait and are contracted to commence operations in the country of Georgia in 2015. We also provide well servicing and ancillary wellsite products and services in Canada and the U.S.

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.

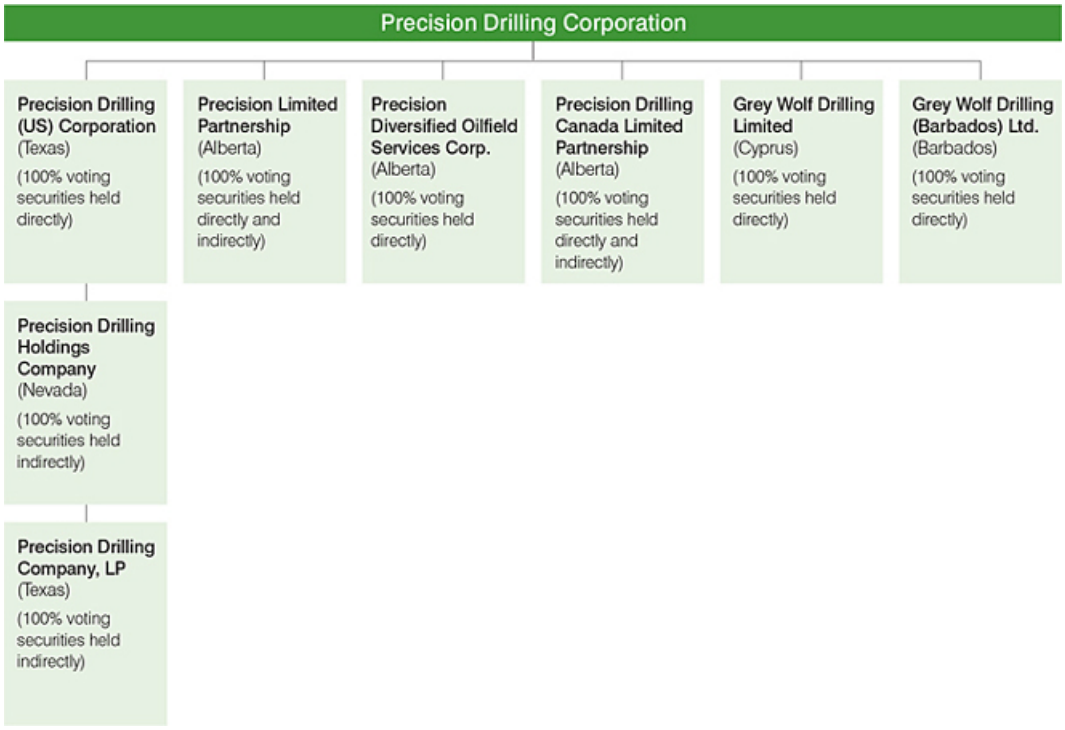
On March 8, 2013, we repealed our old by-laws and adopted new by-laws to, among other things, provide for an advance notice framework for the nomination by Precision shareholders of directors for election to the Board of Directors (**Board**) and to increase the quorum requirement for our shareholder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

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

Our Organizational Structure

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 wholly owned subsidiaries are not included.



Three-Year History

2014

Rig Fleet
We added 15 newly constructed (or new-build) Super Series rigs to our fleet under previously negotiated term contracts:
- five Super Triple rigs in Canada
- seven Super Triple rigs in the U.S.
- three Super Triple rigs internationally.

We upgraded 12 drilling rigs (six of which were upgraded to Tier 1 status) under term contracts:
- five for Canada
- six for the U.S.
- one for the country of Georgia.

These new and upgraded rigs were part of our 2014 property, plant and equipment capital expenditure program.

We expect to add 17 new-build Super Series rigs to our fleet in 2015 under previously-negotiated contracts or firm customer commitments (13 for the U.S., three for Canada, and one for Kuwait).

See *Drilling Fleet,* on page 10.

Capital Expenditures
In 2014, our capital program totalled $857 million ($571 million for expansion capital, $137 million for upgrade capital, and $149 million for the maintenance of existing assets and infrastructure).

International Expansion
In the Middle East, we signed a multi-year contract for a new-build drilling rig in Saudi Arabia, which began operating late in 2014, and signed another contract in Kuwait for a new-build rig to be deployed in 2015.

In March 2014, we announced the signing of multi-year contracts in Mexico for six drilling rigs, including re-contracting three existing rigs. As at the end of 2014, four of the rigs remained under contract.

In October 2014, we signed a term contract for a single drilling rig in the country of Georgia, to commence operations in 2015.

Strategic Alliance With Schlumberger
In July 2014, we entered into a technology and service agreement and marketing alliance with Schlumberger that enables us to market a full range of downhole technology, significantly enhancing our technology and service offering to customers.

Divestitures
In July 2014, we sold certain trucks and other related assets used to support drilling rig moving operations in Texas and New Mexico to a third party for proceeds of $26 million.

In November 2014, we divested our U.S. coil tubing assets for total cash consideration of $44 million.

Dividend Increase
For the first three quarters of 2014, we paid a quarterly dividend of $0.06 per common share. In the fourth quarter, we increased the dividend by 17% to $0.07 per common share.

See *Our Capital Structure – Dividends*, on page 16.

U.S. Senior Note Offering
In June 2014, we completed a US$400 million offering of 5.25% senior unsecured notes due 2024 (the **2024 Notes**) in a private placement. Net proceeds will be used for general corporate purposes including the building of new rigs.

See *Our Capital Structure – Material Debt*, on page 17.

Amendments to Credit Facility
In June 2014, we amended our senior secured credit facility (as amended, the **Senior Credit Facility**), voluntarily reducing the size of the Senior Credit Facility to US$650 million and extending the maturity date to June 3, 2019.

See *Material Debt – Senior Credit Facility* , on page 17.

Tax Reassessment
In August 2014, the Ontario Court of Appeal ruled in favour of Precision's wholly owned subsidiary, Inter-Leasing, Inc., reversing a prior decision by the Ontario Superior Court of Justice regarding the reassessment of Ontario income tax for Inter-Leasing, Inc.'s 2001 through 2004 taxation years. The Ontario Minister of Revenue subsequently made an application to the Supreme Court of Canada seeking leave to appeal the Ontario Court of Appeal decision. On March 5, 2015, the Supreme Court of Canada denied the Ontario Minister of Revenue's application for leave to appeal. The decision by the Supreme Court of Canada brought the appeal process to an end. We expect that the $55 million paid to the Ontario tax authorities in 2008, related to the reassessed taxation years, will be repaid by the Ontario Minister of Revenue later this year, plus interest and costs.

Asset Write Downs
We decommissioned 29 drilling rigs, 35 well servicing rigs and two snubbing units and recognized a non-cash pre-tax impairment charge of $127 million. Certain components of the decommissioned equipment will be used in our ongoing operations.

We also recorded a $95 million impairment charge to the goodwill attributable to our Canadian well servicing and wastewater treatment businesses as it was determined that their carrying values exceeded their recoverable amounts.

2013

Rig Fleet Upgrades

We placed seven newly constructed (or new-build) Super Series rigs into service under previously negotiated term contracts:

- two Super Triple rigs in Canada
- five Super Triple rigs in the U.S.

We also delivered 19 upgraded drilling rigs under term contracts:

- six in Canada
- seven in the U.S.
- six internationally (two in the Kurdistan region of Iraq and four in Mexico).

These new and upgraded rigs were part of our 2013 property, plant and equipment capital expenditure program.

See *Drilling Fleet*, on page 10.

Capital Expenditures

In 2013, our capital program totalled $536 million ($282 million for expansion capital, $141 million for upgrade capital, and $113 million for the maintenance of existing assets and infrastructure).

Dividend Increase

For the first three quarters of 2013, we paid a quarterly dividend of $0.05 per common share. In the fourth quarter, we increased the dividend by 20% to $0.06 per common share.

See *Our Capital Structure – Dividends*, on page 16.

Amendments to Credit Facility

We amended our Senior Credit Facility, extending the maturity date by one year to November 17, 2018.

See *Material Debt – Senior Credit Facility* , on page 17.

Shareholder Divestiture

On December 5, 2013, the Alberta Investment Management Corporation (**AIMCo**) sold its entire equity stake of approximately 56 million common shares in the capital of Precision in an overnight marketed transaction. This included the exercise of 15 million warrants of Precision, each exercisable for one common share, at an exercise price of $3.22 per common share for aggregate proceeds to Precision of $48 million.

Tax Reassessment

In June 2013, a wholly owned subsidiary of Precision, Inter-Leasing, Inc., lost a tax appeal in the Ontario Superior Court of Justice related to a reassessment of Ontario income tax for the 2001 through 2004 taxation years. Precision appealed the decision to the Ontario Court of Appeal, and this appeal was heard in 2014.

See *Legal Proceedings and Regulatory Actions*, on page 31.

2012

Rig Fleet Upgrades

In 2012, we placed 36 new-build Super Series rigs into service under previously negotiated term contracts:

- 13 Precision Super Single rigs, six Super Triple rigs and one Super Double rig in Canada
- two Precision stretch Super Single rigs and 14 Super Triple rigs in the U.S.

We also delivered 11 upgraded rigs under term contracts:

- six in Canada
- one in the U.S.
- four internationally.

These rigs were part of our 2012 property, plant and equipment capital expenditure program.

See *Drilling Fleet*, on page 10.

Capital Expenditures

Our 2012 program totalled $868 million ($596 million for expansion capital, $130 million for upgrade capital, and $142 million for maintenance of existing assets and infrastructure).

International Expansion

We deployed three drilling rigs to Saudi Arabia that began operations in 2012.

We also contracted:

- three upgraded drilling rigs to work on multi-year contracts in Mexico that began operations in 2012 and two additional rigs that began operating in 2013
- two upgraded drilling rigs to work on multi-year contracts in the Kurdistan region of Iraq beginning in 2013
- two new-build Super Triple drilling rigs to work on multi-year contracts in Kuwait.

Annual Dividend

We announced an annualized dividend of $0.20 per common share, payable quarterly.

We declared our first quarterly dividend of $0.05 per common share, paid on December 28, 2012, to shareholders of record on December 20, 2012.

See *Our Capital Structure – Dividends*, on page 16.

Amendments to Credit Facility

We entered into an amendment to our Senior Credit Facility which:

- increased the amount available to US$850 million from US$550 million
- extended the maturity date by two years to November 17, 2017
- allows us to pay dividends so long as no default or event of default has occurred
- reduced the rates that apply to certain fees to be paid under the facility.

See *Material Debt – Senior Credit Facility* , on page 17.

Asset Write Downs

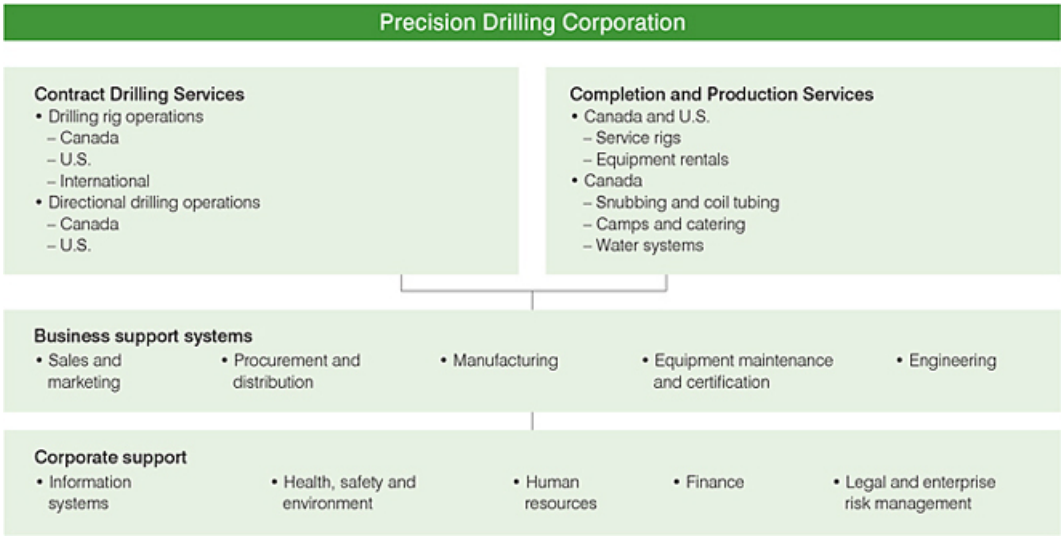
We decommissioned 52 drilling rigs. We exited the Tier 3 contract drilling rig business (Tier 3 rigs are conventional mechanical rigs with no automation and lower pumping capacity) but kept 26 mechanical drilling rigs for seasonal, stratification and turnkey drilling work (the **PSST rigs**).

We also recorded an impairment charge to the goodwill attributable to our Canadian directional drilling operations due to the decrease in natural gas well drilling in Canada and the outlook for natural gas pricing.

We recognized a non-cash, pre-tax rig decommissioning charge and goodwill impairment charge of $245 million.

ABOUT OUR BUSINESSES

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 elsewhere internationally and provides onshore well drilling services to exploration and production companies in the oil and natural gas industry At December 31, 2014, the segment consisted of: ¡ 313 land drilling rigs, including: – 174 in Canada – 124 in the U.S. – 6 in Mexico – 4 in Saudi Arabia – 2 in Kuwait – 2 in the Kurdistan region of Iraq – 1 in the country of Georgia ¡ capacity for approximately 88 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 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, primarily in Canada but with a growing presence in the U.S. At December 31, 2014, the segment consisted of: ¡ 156 well completion and workover service rigs, including: – 148 in Canada – 8 in the U.S. ¡ 17 snubbing units in Canada ¡ 4 coil tubing units in Canada ¡ approximately 2,600 oilfield rental items, including surface storage, small-flow wastewater treatment, power generation and solids control equipment ¡ 221 wellsite accommodation units in Canada and 65 in the U.S. ¡ 50 drilling camps and four base camps in Canada ¡ 10 large-flow wastewater treatment units, eight potable water production units and 25 pump houses in Canada.	Canada	¡ well completion and workover service rigs ¡ snubbing units ¡ coil tubing units ¡ camp and catering services ¡ oilfield surface equipment rental ¡ wellsite accommodations ¡ water system services
	U.S.	¡ well completion and workover service rigs ¡ oilfield surface equipment rental ¡ wellsite accommodations

Revenue

Years ended December 31 *(thousands of Canadian dollars)*	2014	2013	2012
Contract Drilling Services	**$2,017,110**	$1,719,910	$1,725,240
Completion and Production Services	**343,556**	323,353	326,079
Inter-segment eliminations	**(10,128)**	(13,286)	(10,578)
Total revenue	**$2,350,538**	$2,029,977	$2,040,741

Contract Drilling Services

Precision Drilling

At the end of 2014, we had a fleet of 313 land rigs deployed in Canada, the U.S. and internationally.

- **Canada** – We operated the largest fleet of land drilling rigs. We actively marketed 174 drilling rigs located throughout western Canada, accounting for approximately 22% of the industry's estimated fleet of 797 drilling rigs.
- **United States** – We marketed 124 land drilling rigs, the fourth largest fleet, representing approximately 4% of the country's estimated 3,200 total marketed land drilling rigs.
- **Internationally** – We had six land drilling rigs in Mexico, four in Saudi Arabia, two in the Kurdistan region of Iraq, two in Kuwait, 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 day or two 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, cost escalation provisions, 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 two-to-five year term contracts in place before the rig is completed; in most cases contracts are in place before rig construction begins.

In 2014, we had term contracts for an average of 120 drilling rigs (52 in Canada, 58 in the U.S., and 10 internationally).

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.
- Generally we do not bear any of the costs arising from downhole risks.

We also drilled a very small number of wells in Alabama, Texas and Louisiana near the U.S. Gulf Coast (approximately 3% of our U.S. rig utilization in 2014) 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, at least in part, upon the severity and duration of the winter drilling season.

Competition

The land drilling industry is highly competitive and fragmented with the top 10 providers owning approximately 45% of the marketed rig fleet in the U.S. and approximately 75% of the industry fleet in Canada as of December 31, 2014. Technology is increasingly differentiating the market, as complex drilling programs for resource exploration demand high performance drilling rigs. Top tiered rigs experience higher utilization levels and more stable dayrates. Our Tier 1 rigs represent 69% of our fleet.

In 2014, we had a footprint in virtually all of the large resource plays in Canada and the U.S., including the Bakken, Cardium, Duvernay, Lower Shaunavon, Montney, Horn River and Viking formations in Canada and the Bakken, Barnett, Eagle Ford, Granite Wash, Haynesville, Marcellus, Niobrara, Permian, Utica and Uinta resource plays in the U.S.

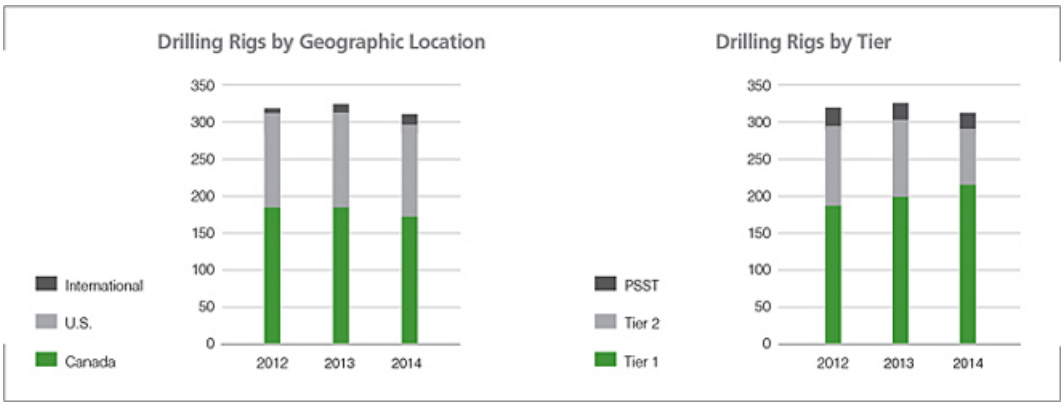
Drilling Fleet

We categorize our rigs as Tier 1, Tier 2, or PSST rigs based on drilling requirements and mobility. At the end of 2014, we had a fleet of 313 rigs, consisting of 217 Tier 1 rigs, 74 Tier 2 rigs and 22 PSST rigs. A list of our contract drilling rigs, including detailed inventory and layout specifications, is available on our website (**www.precisiondrilling.com**).

Tier 1 Rigs are better suited to meet the challenges of complex customer requirements for resource exploitation in the North America shale and unconventional plays	High performance Super Series rigs, innovative in design, capable of drilling directionally or horizontally, highly mobile (move with pad walking or skidding systems or require fewer trucking loads) *Features* ¦ highly mechanized tubular handling equipment ¦ integrated top drive or top drive adaptability ¦ advanced AC, silicone controlled rectifier (**SCR**) and mechanical power distribution and control efficiencies ¦ electronic or hydraulic control of the majority of operating parameters ¦ specialized drilling tubulars ¦ high-capacity mud pumps ¦ majority use Range III drill pipe
Tier 2 High performance rigs with new equipment and modifications to improve performance and enhance directional and horizontal drilling capability	High performance rigs, capable of drilling directionally or horizontally, generally less mobile than Tier 1 rigs *Features* ¦ some mechanization of tubular handling equipment ¦ top drive adaptability ¦ SCR or mechanical type power systems ¦ increased hookload and or racking capabilities ¦ upgraded power generating, control systems and other major components ¦ high-capacity mud pumps
PSST Typically conventional mechanical rigs with no automation and lower pumping capacity	Acceptable level of performance for certain drilling requirements but would require major equipment upgrades to meet the criteria of a Tier 2 or Tier 1 rig Other than rigs retained for seasonal, stratification and turnkey drilling work, we have exited the Tier 3 market. We believe that developments in the land drilling industry have made the Tier 3 rigs virtually obsolete in North America

Drilling Fleet by Tier and Geographic Location

Years ended December 31	Canada			U.S.			International			Total Fleet		
	2012	2013	**2014**	2012	2013	**2014**	2012	2013	**2014**	2012	2013	**2014**
Tier 1	105	110	**119**	83	87	**93**	–	3	**5**	188	200	**217**
Tier 2	64	62	**41**	35	31	**23**	8	10	**10**	107	103	**74**
PSST	17	15	**14**	9	9	**8**	–	–	**–**	26	24	**22**
Total	186	187	**174**	127	127	**124**	8	13	**15**	321	327	**313**



We focus on providing efficient, cost-reducing drilling technology. Design innovations and technology improvements, such as multi-well pad capability and mobility between wells, capture incremental time savings during all phases of the well drilling process. The following factors, among others, minimize downtime and benefit our customers by lowering their well costs:

- using innovative and advanced drilling technology that is efficient
- low unplanned mechanical downtime (managed through preventive maintenance programs)
- detailed inspection processes
- strategically located spare equipment
- in-house supply chain management
- efficient use of non-productive time (includes moving, rig-up and rig-out time, which is minimized by decreasing the number of move loads per rig and using mechanized equipment for safer and quicker rig component connections).

Directional Drilling

Directional drilling involves using specialized tubulars and drill string components to establish and maintain the necessary trajectory of the drill bit to achieve a desired wellbore and bottom of hole location in relation to the surface location. Directional equipment such as mud motors (which are hydraulically driven by the drilling fluid to rotate the drill bit) and measurement while drilling (**MWD**) systems (which monitor wellbore trajectory and formation characteristics in real time while drilling is in progress) are used in this process.

At the end of 2014, we had capacity for approximately 88 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.

Grey Wolf International

Grey Wolf International (**Grey Wolf**) is our platform 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 2014, Grey Wolf had six land drilling rigs in Mexico, four in Saudi Arabia, two in the Kurdistan region of Iraq, two in Kuwait, and one in the country of Georgia.

Rostel Industries

Based in Canada, Rostel Industries manufactures custom drilling rigs and manufactures and refurbishes drilling rig and service rig components. Rostel Industries is fundamental to our vertical integration as approximately 95% of its revenues in 2014 were 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.

Rostel Industries markets specialized services to the energy services industry, including inspection and certification of critical drilling components such as overhead equipment, well control equipment and handling tools. Its expertise includes an in-house engineering group that designs and certifies equipment. Rostel Industries also designs and builds a significant portion of the components for the Precision Super Single drilling rigs and develops products that can be used on other new rigs or to improve the versatility of many of our existing rigs.

Columbia Oilfield Supply and PD Supply

Columbia Oilfield Supply in Canada and PD Supply in the U.S. are general 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 2014, nearly all (99%) of their oilfield supply activities supported Precision operations. This reduces the administrative workload for field personnel and enhances our competitiveness.

Completion and Production Services

Precision Well Servicing

Precision Well Servicing offers a versatile fleet of service rigs for well completion, workover, abandonment, maintenance and re-entry preparation services as well as snubbing units and coil tubing 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.

Well Service Activities

Well servicing and pressure control jobs are generally of short duration, preferably 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; 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 2014, Precision Well Servicing had a Canadian industry market share of approximately 13% with a fleet of 148 service rigs, the largest in western Canada, compared to a Canadian industry fleet average of approximately 1,100 service rigs. We also operated eight service rigs in the U.S.

Service Rates

Precision Well Servicing typically charges customers an hourly rate for completion, workover and pressure control services based on factors such as market demand in the region, the type of rig deployed and the equipment required.

Service Rig Fleet

The table below shows the configuration of the Precision Well Servicing fleet as at December 31, 2014. 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	74
freestanding design eliminates anchoring	Double	48
Freestanding rigs comprise 78% of the fleet	Slant	20
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	14
Total		**156**

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 2014:

- workovers and abandonments accounted for approximately 89%
- completions accounted for approximately 11%.

Completions – Customers often contract a smaller, 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) in order 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 2014, we marketed eight portable hydraulic rig-assist snubbing units, seven self-contained snubbing units, one freeze unit, and one rod snubbing unit 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.

Coil Tubing Services – Coil tubing units use a continuous (non-jointed) reel of tubing to perform completion, workover and stimulation services. Coil tubing provides certain advantages over conventional service rigs, including working on a well without having to kill it and servicing highly deviated and horizontal wells.

Coil tubing units are highly mobile, rig-up and rig-down in a short time, increase operating efficiency, and have a relatively small environmental footprint. These units also operate more efficiently because continuous tubing eliminates jointed tubing connections.

At the end of 2014, Precision operated four coil tubing units in western Canada.

Precision Rentals

Precision Rentals provides approximately 2,600 pieces of oilfield rental equipment from five operating centres and 11 stocking points throughout western Canada, supported by a technical service centre in central Alberta. Precision also has approximately 80 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
- 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 2014, Precision Camp Services had 50 drill camps and four base camps in western Canada. Each mobile camp includes five or six building units that typically accommodate 20 to 25 members of a 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.

Terra Water Systems

Terra Water Systems provides customers with 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 25 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.

Health, Safety and the Environment

We have a long-standing commitment to health, safety and the environment in all aspects of our operations*Our Target Zero* vision promotes continuous safety improvement through awareness and risk reduction and fosters a culture that is never complacent about an injury to a Precision employee. We recognize risks at job sites and work to reduce them so we achieve our goal of zero injuries.

In 2014, we achieved our best ever safety record as measured by the industry standard of total recordable injury frequency. Our total hours worked increased by 11% while our recordable injury frequency decreased by 17% and our lost-time accident frequency decreased by 43% compared to 2013.

We continuously review our rig designs and components and use advanced technologies to improve the life cycle, maintain safety and operating efficiency, reduce energy use, and manage our energy and resources in several ways such as:

Drilling rigs	¡ have high-efficiency diesel engines that meet regulatory emission specifications ¡ use AC electric power generation and distribution and control systems that incorporate variable frequency drive technologies to 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 advanced muffler systems to reduce noise
Engine radiator systems	¡ have variable pitch fans to reduce horsepower requirements
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
Rig buildings	¡ have thermal insulation in certain rig buildings to reduce winter heating load requirements

We recognize the importance of climate change and our impact on the environment. Our rigs are designed for high efficiency moving, which reduces the number of trucks needed to relocate a rig to a new customer site. They 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 continue to develop solutions for a sustainable society. We have introduced the use of low carbon emission natural gas engines and bi-fuel systems. We continue to assess alternative fuel types, other methods of power, heat generation, noise abatement, lowering carbon emissions, and systems for recovering waste energy.

Our People

We had 7,834 employees at the end of 2014. The majority of our employees work on our drilling and service rigs and are compensated on an hourly basis. Seasonality and economic conditions affect our drilling activity and have a more dramatic impact on hourly than salaried employees.

The market for experienced personnel in the oilfield services industry is extremely competitive because of the cyclical nature of the work, uncertainty of continuing employment, and generally higher rates of employment over the past decade.

We rely on experienced, well trained personnel. We invest in systems and processes to support employee training, development, leadership and retention. Our talent management system helps us actively develop, nurture and retain people in key positions as well as top performers and potential future leaders. Programs include skill development around leadership, communication and corporate values, and our compensation program focuses on retaining experienced field personnel during all market cycles, targeted recruitment initiatives, and a performance management system that links compensation to the achievement of specific corporate and individual goals.

Performance excellence is measured through our safety record and reputation, as these help us attract and retain employees when manpower shortages are experienced in the industry during peak operating periods. Our priority is retaining experienced employees, particularly in driller, rig manager and field superintendent positions.

OUR CAPITAL STRUCTURE

Common Shares

We can issue an unlimited number of common shares. There were 292,819,921 common shares issued and outstanding as at December 31, 2014.

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 also receive dividends. 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 2014. 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	10.13	9.43	21,150,851	9.41	8.51	30,986,099
February	12.34	9.49	31,490,125	11.16	8.55	41,444,194
March	13.32	11.53	29,171,657	12.06	10.39	41,286,736
April	14.58	12.81	31,805,652	13.30	11.67	59,015,499
May	14.63	12.97	18,658,749	13.33	11.91	31,834,188
June	15.36	13.99	16,549,782	14.28	12.84	31,474,358
July	15.65	13.54	21,060,023	14.65	12.42	31,733,055
August	13.97	12.89	15,185,275	12.83	11.78	27,488,500
September	13.84	11.58	27,436,022	12.69	10.50	38,054,652
October	12.15	8.97	50,632,507	10.82	7.94	77,800,596
November	9.50	6.95	40,980,917	8.39	6.08	68,642,375
December	8.01	6.11	55,882,855	6.91	5.27	90,452,568

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).

The Board will review the dividend payment from time to time based on our financial circumstances, market conditions, and other factors it considers relevant. Our ability to pay dividends may be restricted if our circumstances change.

Our Senior Credit Facility allows the payment of dividends so long as no default or event of default has occurred. We were in compliance with all debt covenants at the end of 2014.

Each note indenture governing our outstanding senior unsecured notes restricts our ability to make certain payments, including the payment of dividends, if Precision is in default or if it is not able to incur additional indebtedness under certain circumstances or if the accumulated amount of restricted payments (including the payment of dividends) would breach certain covenants set forth in the indentures.

The following table shows the dividends declared on our common shares for the three-year period ending December 31, 2014:

Record Date	Payment Date	Amount per common share ($)
November 14, 2014	November 24, 2014	0.07
August 8, 2014	August 20, 2014	0.06
May 14, 2014	May 26, 2014	0.06
February 27, 2014	March 14, 2014	0.06
November 4, 2013	November 15, 2013	0.06
August 6, 2013	August 15, 2013	0.05
May 6, 2013	May 15, 2013	0.05
February 28, 2013	March 15, 2013	0.05
December 20, 2012	December 28, 2012	0.05

Shareholder Rights Plan

On June 1, 2010, we converted from an income trust (Precision Drilling Trust) to a corporation. When unitholders of Precision Drilling Trust approved the plan of arrangement for us 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 takeover bid for Precision. Under our shareholder rights plan agreement with Computershare Trust Company of Canada, we issued one right for each common share outstanding at the close of business on June 1, 2010, and one right for each additional common share issued after that date, subject to the terms and conditions of the plan.

Shareholders confirmed the continuation and revisions to the plan at the 2013 annual and special meeting of shareholders.

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, 2014, we had:

- US$650 million (excluding outstanding letters of credit of US$26 million) available under the Senior Credit Facility
- US$650 million outstanding under the 2010 offering of 6.625% senior unsecured notes due 2020 (the **2020 Notes**)
- $200 million outstanding under the 2011 offering of 6.50% senior unsecured notes due 2019 (the **2019 Notes**)
- US$400 million outstanding under the 2011 offering of 6.50% senior unsecured notes due 2021 (the **2021 Notes**)
- US$400 million outstanding under the 2014 offering of 5.25% senior unsecured notes due 2024 (the **2024 Notes**).

The following is a summary of the material terms of the Senior Credit Facility, the 2020 Notes, the 2019 Notes, the 2021 Notes and the 2024 Notes. Copies of the note indenture governing the 2020 Notes (the **2020 Note Indenture**), the note indenture governing the 2019 Notes (the **2019 Note Indenture**), the note indenture governing the 2021 Notes (the **2021 Note Indenture**), and the note indenture governing the 2024 Notes (the **2024 Note Indenture**) are available on SEDAR and EDGAR.

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. In June 2014, we amended our credit agreement to, among other things, voluntarily reduce the size of the Senior Credit Facility from US$850 million to US$650 million and extend the maturity to June 3, 2019. The Senior Credit Facility is an extendible revolving term credit facility that will be used for general corporate purposes, including for acquisitions, and is secured by liens on substantially all of 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. We were in compliance with all debt and financial ratio covenants at the end of 2014.

The table below sets out the key features of the Senior Credit Facility:

Key Features of Senior Credit Facility	
Amount	¡ provides senior secured financing of up to US$650 million ¡ includes a provision to increase the credit facility limit by up to an additional US$250 million (subject to certain conditions, including obtaining additional lender commitments)
Term and repayment	¡ matures and to be repaid in full on June 3, 2019 ¡ provides us the option to request the lenders to extend 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 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 Senior Credit Facility agreement) (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 (subject to reduction in fees for non-financial letters of credit) – a fronting fee to be paid to each fronting lender
Guarantees and security	¡ we and our Material Subsidiaries have pledged substantially all of 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. ¡ we currently have a corporate credit rating of *BB+* from Standard & Poor's Ratings Services (**S&P**) and a rating of *Ba1* from Moody's Investors Service, Inc. (**Moody's**). 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)

Key Features of Senior Credit Facility	
Certain covenants and events of default	¡ subject to certain exceptions, several covenants restrict our ability and the ability of our Material Subsidiaries to, among other things, do any of the following: – 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 their primary business – incur or assume liens on assets – enter into mergers, consolidations, or amalgamations – enter into speculative swap agreements ¡ also includes customary affirmative covenants and events of default ¡ we must also comply with the following financial ratios, each calculated for the most recent four consecutive fiscal quarters: – a maximum consolidated senior debt to adjusted EBITDA ratio of 3:1 (the consolidated senior debt to adjusted EBITDA ratio may increase to 3.5:1 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 maximum consolidated total debt to adjusted EBITDA ratio of 4:1(the consolidated total debt to adjusted EBITDA ratio may increase to 4.5:1 from 4:1 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 2.75:1

Operating Facilities

We have a $40 million secured operating facility, a US$25 million secured facility for letters of credit, and a US$15 million secured operating facility. Availability of the $40 million facility was reduced by outstanding letters of credit of $20 million. Availability of the US$25 million secured facility for letters of credit was reduced by outstanding letters of credit of US$8 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 of our Material Subsidiaries. Advances under the $40 million facility are available at a margin over the banks' prime Canadian lending rate, United States base rate, LIBOR, or Banker's 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 facility and the US$25 million facility.

Senior Unsecured Notes

On June 3, 2014, we completed an offering of senior unsecured notes in a private placement to Canadian and U.S. investors. During 2010 and 2011, we completed three offerings of senior unsecured notes in private placements to Canadian and U.S. investors. The notes are denominated in either Canadian or U.S. dollars, as indicated below, and all payments on the notes are made in that currency.

	2020 Notes Completed November 17, 2010 Issued under and governed by the 2020 Note Indenture	**2019 Notes** Completed March 15, 2011 Issued under and governed by the 2019 Note Indenture	**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
Trustee	¡ Bank of New York Mellon (U.S. Trustee) ¡ Valiant Trust Company (Canadian Trustee)	¡ Valiant Trust Company	¡ Bank of New York Mellon (U.S. Trustee) ¡ Valiant Trust Company (Canadian Trustee)	¡ Bank of New York Mellon (U.S. Trustee) ¡ Valiant Trust Company (Canadian Trustee)
Principal	US$650 million	$200 million	US$400 million	US$400 million
Interest	¡ 6.625% ¡ 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	¡ 6.50% ¡ paid in cash semi-annually on March 15 and September 15 to holders of record on March 1 and September 1 ¡ calculated on a 360-day year of 12 30-day months	¡ 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
Maturity date	¡ November 15, 2020	¡ March 15, 2019	¡ December 15, 2021	¡ November 15, 2024

	2020 Notes	2019 Notes	2021 Notes	2024 Notes
Net proceeds	¡ used to repay all of our outstanding debt under our then existing senior secured credit facility and for general corporate purposes	¡ used in effect to repay the 10% senior unsecured note	¡ used to fund our capital expenditure program and for general corporate purposes	¡ used to fund our capital expenditure program and for general corporate purposes
Interest payments	¡ began on May 15, 2011 ¡ interest accrues from the most recent date to which interest was paid	¡ began on September 15, 2011 ¡ interest accrues from the most recent date to which interest was paid	¡ 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
Redemption features	*Prior to November 15, 2015* ¡ 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, 2015 redemption price plus required interest payments through November 15, 2015 (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, 2015* ¡ in whole or in part at any time before November 15, 2018, at redemption prices ranging between 103.313% and 101.104% of their principal amount plus accrued interest *Beginning November 15, 2018* ¡ for their principal amount plus accrued interest	*Prior to March 15, 2015* ¡ 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 March 15, 2015 redemption price plus required interest payments through March 15, 2015 (calculated using a discount rate equal to the Government of Canada rate plus 100 basis points) over the principal amount of the note *Beginning March 15, 2015* ¡ in whole or in part at any time before March 15, 2017, at redemption prices ranging between 103.250% and 101.625% of their principal amount plus accrued interest *Beginning March 15, 2017* ¡ for their principal amount plus accrued interest	*Prior to December 15, 2016* ¡ 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, 2016 redemption price plus required interest payments through December 15, 2016 (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, 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, 2017* ¡ up to 35% of the notes with the net proceeds of certain equity offerings at a redemption price equal to 105.25% of 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
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, among other things, do any of the following:

- 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
- engage in transactions with affiliates.

Each of the 2020 Notes, the 2019 Notes, the 2021 Notes, and the 2024 Notes are general unsecured obligations and rank senior in right of payment to all of our future obligations that are subordinate in right of payment to these notes and equal in right of payment with all of our other existing and future obligations.

Credit Ratings

The table below shows our current credit ratings by Moody's and S&P:

	Moody's	S&P
Corporate credit rating	*Ba1*	*BB+*
Senior Credit Facility rating	Not rated	Not rated
Senior unsecured credit rating (2020 Notes, 2019 Notes, 2021 Notes, and 2024 Notes)	*Ba1*	*BB*

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 *Ba* is the fifth highest of nine categories and denotes obligations judged to have speculative elements and are subject to substantial credit risk ¡ a 1, 2 or 3 modifier 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

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.

Prior Sales

Debt Securities

On June 3, 2014, Precision completed a private offering of US$400 million aggregate principal amount of 5.250% Senior Notes due 2024 (the **2024 Notes**) in a transaction that was exempt from the registration requirements of the U.S. Securities Act of 1933, as amended (the **Securities Act**). The 2024 Notes were guaranteed on a senior unsecured basis by current and future U.S. and Canadian subsidiaries of Precision that also guarantee Precision's Senior Credit Facility and certain other future indebtedness.

The 2024 Notes and the related guarantees were offered only to qualified institutional buyers in reliance on the exemption from registration set forth in Rule 144A under the Securities Act, and outside the United States to non-U.S. persons in reliance on the exemption from registration set forth in Regulation S under the Securities Act.

We agreed to use our commercially reasonable efforts to cause a registration statement with respect to an offer to exchange the 2024 Notes for a new issue of notes registered under the Securities Act, with additional interest payable if such registration and exchange is not completed by June 3, 2015.

RISKS IN OUR BUSINESS

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

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. The volatility of crude oil and natural gas prices accounts for much of the cyclical nature of the energy 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 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 sovereign debt concerns in Europe, lower expectations for global economic growth, or initiatives by the Organization of the Petroleum Exporting Countries 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 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. A prolonged reduction in oil and natural gas prices would likely depress the level of exploration and production activity. This would likely result in a corresponding decline in the demand for our services and could have a material adverse effect on our revenue, cash flow and profitability.

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

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 numerous 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 each of 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 in suitable drilling rigs 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 drilling rigs competing for work in markets where we operate has increased as the industry adds new and upgraded rigs. We expect new or newer rigs to continue to enter markets where we operate. 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 served to intensify 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.

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. Any such reduction in spending by our customers could adversely affect our operating results and financial condition.

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 foreign countries, 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 among others:

- 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 foreign-based companies
- compliance with anti-corruption and anti-bribery legislation in Canada, the U.S. and other countries
- 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 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, emissions 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.

Any difficulty in retaining, replacing, or adding personnel could adversely affect our 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 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 as the industry adds more rigs, oilfield service companies expand, and new companies enter the business.

Our business is affected by governmental regulations and policies

Some of our activities are affected by factors that are beyond our control or influence. Our operations are directly affected by fluctuations in exploration, development and production activity by our customers that are dictated by numerous factors, including economic conditions, global energy prices and government policies. If there are additional government regulations or incentives, or if any of them are eliminated or curtailed, it could have a significant impact on the oil and natural gas business in Canada, the U.S. and other markets where we operate or choose to operate in the future. These factors could lead to lower demand for our services, resulting in a material adverse effect on our revenue, cash flow and earnings.

Environment regulations could have a significant impact on the energy industry

The issue of energy and the environment has created intense public debate in Canada and 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; however, 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.

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 may be incurred by us 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.

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 service 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 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. Any acquisition could have a material adverse effect on our operating results, financial condition, or the price of our securities. 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.

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 of 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 of 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 part of the 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, upon the severity and duration of the winter season.

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.

Dividends may be variable

The actual cash flow available for the payment of dividends to shareholders is a function of numerous factors, including our financial performance, debt covenants and obligations, working capital requirements, capital expenditure requirements, tax obligations, the impact of interest rates or foreign exchange rates, the growth of the general economy, the price of crude oil and natural gas, weather and number of common shares outstanding. Dividends may be increased, reduced, or eliminated entirely depending on our operations and the performance of our assets.

The market value of our common shares may deteriorate if we are unable to meet dividend expectations in the future, and that deterioration may be material.

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 2020 Note Indenture, the 2019 Note Indenture, the 2021 Note Indenture, the 2024 Note Indenture and other debt agreements we may have in the future. 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. 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 limit 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.

Our debt facilities contain restrictive covenants

The Senior Credit Facility, the 2020 Note Indenture, the 2019 Note Indenture, the 2021 Note Indenture, and the 2024 Note Indenture contain a number of covenants which, among other things, restrict us and some of our subsidiaries from conducting certain activities. In addition, we must satisfy and maintain certain financial ratio tests under the Senior Credit Facility (see *Our Capital Structure – Material Debt*, on page 17). Events beyond our control could affect our ability to meet these tests. 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, the applicable lenders or note holders 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.

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 of 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.

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 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.

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.

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 the 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 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, mostly in U.S. dollars and currencies that are pegged to the U.S. dollar. This means that currency exchange rates affect our income statement, balance sheet and statement of cash flow.

Translation Into Canadian Dollars

When preparing our 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 balance sheet date. Revenues and expenses are translated using average exchange rates for the month of the transaction. Gains or losses 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. Changes in currency exchange rates could materially increase or decrease our foreign currency-denominated net assets on consolidation, which would increase or decrease shareholders' equity. Changes in currency exchange

rates will affect the translation of the revenue and expenses of our U.S. and international operations and will result in lower or higher net earnings than would have occurred had the exchange rate not changed. If the Canadian dollar strengthens against the U.S. dollar, the Canadian dollar equivalent of net earnings from international operations will be negatively affected.

Transaction Exposure

We have long-term debt denominated in U.S. dollars. We have designated the 2020 Notes, the 2021 Notes, and the 2024 Notes as a hedge against the net asset position of our U.S. operations. This debt is converted at the exchange rate in effect at the balance sheet 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; however, we occasionally purchase goods and supplies in U.S. dollars for our Canadian operations. However, the U.S. dollar denominated transactions and foreign exchange exposure would not typically have a material impact on our financial results.

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 2020 Notes, the 2019 Notes, the 2021 Notes, and the 2024 Notes), or pursue acquisitions or other business combination transactions. Continued or future volatility or uncertainty in the credit markets may increase costs associated with issuing debt, 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.

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.

Conditions in the credit markets in the future may adversely affect business

The ability to make scheduled debt repayments, refinance debt obligations, or access financing depends on our financial condition and operating performance, which may be affected by prevailing economic and competitive conditions and certain financial, business and other factors beyond our control. Volatility in the credit markets can increase costs associated with debt instruments due to increased spreads over relevant interest rate benchmarks, or affect our ability to access those markets or the ability of third parties we wish to do business with. We may be unable to maintain sufficient cash flow from operating activities to allow us to pay the principal, premium, if any, and interest on our debt.

In addition, if there is continued or future volatility or uncertainty in the capital markets, access to financing may be uncertain, and this can have an adverse effect on the industry and our business, including future operating results. Our customers may curtail their drilling programs, which could result in reduced dayrates, lower demand for drilling rigs, well service rigs, directional drilling, turnkey jobs, and other wellsite services, or lower equipment utilization. In addition, certain customers may be unable to pay suppliers, including us, if they are unable to access the capital markets to fund their business operations.

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 15).

The price of our common shares can fluctuate

The price of our common shares can fluctuate. Several factors can cause volatility, including increases or decreases in revenue or earnings, changes in revenue or earnings estimates by the investment community, and speculation in 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 trust units or common shares to predict the future performance of our common shares or financial results.

Variability in asset valuation could negatively affect the value of our common shares

The net asset value of our assets will vary from time to time depending on factors beyond our control. The trading price of our common shares also fluctuates due to factors beyond our control and the price may be higher or lower than the net asset value of our assets.

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 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 or executive officers, or any shareholder who beneficially owns, or 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 during 2015 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 and have confirmed that they are independent with respect to 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 five material contracts in effect at the end of 2014.

- Senior Credit Facility agreement
- 2020 Note Indenture
- 2019 Note Indenture
- 2021 Note Indenture
- 2024 Note Indenture.

See *Our Capital Structure – Material Debt*, on page 17. We filed copies of these contracts, other than the Senior Credit Facility agreement, on SEDAR and on EDGAR.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Except as noted below, 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.

In August 2014, the Ontario Court of Appeal ruled in favour of Precision's wholly owned subsidiary, Inter-Leasing, Inc., reversing a prior decision by the Ontario Superior Court of Justice regarding the reassessment of Ontario income tax for Inter-Leasing, Inc.'s 2001 through 2004 taxation years. The Ontario Minister of Revenue subsequently made an application to the Supreme Court of Canada seeking leave to appeal the Ontario Court of Appeal decision. On March 5, 2015, the Supreme Court of Canada denied the Ontario Minister of Revenue's application for leave to appeal. The decision by the Supreme Court of Canada brought the appeal process to an end. We expect that the $55 million paid to the Ontario tax authorities in 2008, related to the reassessed taxation years, will be repaid by the Ontario Minister of Revenue later this year, plus interest and costs.

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.

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
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 a director of several private companies in the U.S., the United Kingdom and Russia. Previously Chairman of the Board of Rockland Industrial Holdings, LLC from April 2006 to December 2013.	December 2008
Brian J. Gibson, ICD.D Mississauga, Ontario, Canada	Director Member, Audit Committee Member, Corporate Governance, Nominating and Risk Committee	Currently a private investor, investment consultant and corporate director. Previously Senior Vice President, Public Equities and Hedge Funds of AIMCo from December 2008 to 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 Calgary, Alberta, Canada	Director Member, Corporate Governance, Nominating and Risk 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 to 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 to 2010, including Executive Vice President of Gas Transportation & International.	December 2006
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
Patrick M. Murray Dallas, Texas, United States	Director Member, Audit Committee Member, Human Resources and Compensation Committee	Currently a private investor and corporate director. Retired in May 2007 as Chairman of the Board and Chief Executive Officer of Dresser, Inc.	July 2002
Kevin A. Neveu Calgary, Alberta, Canada	President and Chief Executive Officer and Director	Currently President and Chief Executive Officer of Precision since January 2009. Appointed Chief Executive Officer and a director of Precision in August 2007.	August 2007
Robert L. Phillips, Q.C. West Vancouver, British Columbia, Canada	Director (Chairman of the Board since August 2007) Member, Audit Committee Member, Corporate Governance, Nominating and Risk Committee Member, Human Resources and Compensation Committee	Currently a private investor and corporate director. Retired in 2004 as President and Chief Executive Officer of BCR Group of Companies.	May 2004

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 noted 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.

Patrick Murray was a director of Rancher Energy Corp. (**Rancher**) from April 20, 2007 to September 30, 2009.
On October 28, 2009, Rancher filed a voluntary petition for relief under Chapter 11 of Title 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Colorado. Rancher has since reorganized and sold its assets.

Audit Committee

The Audit Committee currently has five members, all of whom are independent directors:

- Allen R. Hagerman (chair), William T. Donovan, Brian J. Gibson, Patrick M. Murray and Robert L. Phillips

The Audit Committee is a standing committee appointed by the Board to assist it in fulfilling its oversight responsibilities with respect to financial reporting.

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

Mr. Donovan, Mr. Gibson, Mr. Hagerman, and Mr. Murray are all considered financial experts. They meet the requirements because of their training and expertise.

Relevant Education and Experience

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

- Allen R. Hagerman (chair) was the Executive Vice President, Canadian Oil Sands Limited from May 2008 to December 2014 and was Chief Financial Officer of Canadian Oil Sands Limited from 2003 to 2007. Mr. Hagerman received a B.Comm. from the University of Alberta in 1973. He has a Chartered 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.
- William T. Donovan is a private equity investor and a director of several private companies. He was chairman of Rockland Industrial Holdings, LLC of Milwaukee, Wisconsin from April 2006 to December 2013. He was a director of Grey Wolf, Inc. from 1997 until it was acquired by Precision Drilling Trust in December 2008 and was the 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 a private investor and investment consultant and has a lengthy investment career that required extensive knowledge and analysis of public company financial statements and control standards. Previously he was the Senior Vice President, Public Equities and Hedge Funds of AIMCo. He was President of Panoply Capital Asset Management Inc., a private investment firm, from January 2008 to December 2008 and was the Senior Vice President, Public Equities of the Ontario Teachers' Pension Plan from August 1992 to January 2008. 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. Mr. Gibson was appointed to the Audit Committee in July 2012.
- Patrick M. Murray is the retired Chairman, President and Chief Executive Officer of Dresser, Inc. Mr. Murray received a B.Sc. degree in Accounting in 1964 and an MBA in 1973 from Seton Hall University. Mr. Murray was appointed to the Audit Committee in April 2003.
- Robert L. Phillips' experience includes executive level positions at several corporations and as a director of several public corporations including membership on a number of audit committees. Mr. Phillips received a B.Sc. in chemical engineering in 1971 and an LLB in 1976 from the University of Alberta. Mr. Phillips was appointed to the Audit Committee in December 2008.

Pre-Approval Policies and Procedures

Under the committee charter, the Audit Committee recommends, for approval by the Board, the external auditors' terms of engagement and their remuneration. 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 also 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 regular 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 delegated member.

See *Appendix*, on page 38, 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 2014 and 2013:

Years ended December 31	2014	2013
Audit fees for professional audit services	**$1,733,000**	$1,616,000
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 domestic tax advisory services, including assistance with preparing Canadian federal and provincial income tax returns and international tax advisory services	**797,000**	640,000
All other fees	**–**	–
Total	**$2,530,000**	$2,256,000

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 Calgary, Alberta, Canada	President and Chief Executive Officer since January 2009
Niels Espeland Dubai, United Arab Emirates	President of International Operations since 2011 Group Vice President, Drilling for Weatherford International from 2007 to 2011
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 to February 2012 Vice President, Sales and Marketing from 1999 to 2011
Veronica Foley Houston, Texas, United States	Vice President, Legal and Corporate Secretary since January 9, 2015 Associate General Counsel, Americas, from April 2012 to January 2015 Senior Legal Counsel from March 2010 to April 2012
Kenneth J. Haddad Houston, Texas, United States	Senior Vice President of Business Development since February 2012 Vice President of Business Development from 2008 to February 2012
Robert J. McNally Houston, Texas, United States	Executive Vice President and Chief Financial Officer since 2010
Darren J. Ruhr Calgary, Alberta, Canada	Senior Vice President of Corporate Services since January 2012 Vice President of Corporate Services from 2009 to January 2012
Gene C. Stahl Houston, Texas, United States	President of Drilling Operations since 2008
Douglas J. Strong Calgary, Alberta, Canada	President of Completion and Production Services since 2010

As at December 31, 2014, our directors and executive officers as a group (including Veronica Foley) beneficially owned, or controlled or directed, directly or indirectly, 1,134,755 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, 2014.

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, 2014 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 2014. 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, 2014.

There were no changes in our internal control over financial reporting in 2014 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, 2014 forms part of our 2014 annual report and is incorporated by reference in this AIF. The MD&A appears on pages 2 to 51 of our 2014 annual report.

Transfer Agent and Registrar

Computershare Trust Company of Canada, 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 Golden, Colorado.

Additional Information About Precision

Additional information about Precision is available on our website (**www.precisiondrilling.com**) and on SEDAR (**www.sedar.com**). Copies are also available from us free of charge by contacting our Corporate Secretary:

Precision Drilling Corporation
800, 525 – 8th Avenue SW
Calgary, Alberta, Canada T2P 1G1

Email: corporatesecretary@precisiondrilling.com
Phone: 403.716.4500
Fax: 403.264.0251

Additional information is available in the following documents:

- Management information circular (including information about director and officer remuneration and indebtedness and shares authorized for issuance under Precision's equity compensation plans) for the annual meeting of shareholders to be held on May 13, 2015.
- Our 2014 annual report containing our annual consolidated financial statements and MD&A for the year ended December 31, 2014.

Copies are available or will be available on SEDAR.

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, as amended (the "Exchange Act") 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 ("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 process;
- the Corporation's compliance with legal and regulatory requirements as they relate to financial reporting matters;
- the external auditor's qualifications and independence;
- reporting protocol and independence of the audit services department 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 NYSE.

Committee Responsibilities

The Committee shall in respect of operations of the Committee:

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 and members of Management;
- meet in separate non-Management, closed sessions with any other internal personnel or outside advisors, as necessary or appropriate;
- review annually its own performance;
- review annually the continuing education efforts undertaken by the members of the Committee during the preceding year with respect to audit committee matters;

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;
- be satisfied 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,
  - 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;
- cause to be prepared any report required by law, regulations or stock exchange requirement to be included in the Corporation's annual and quarterly reports;

Other Financial Filings and Public Documents

- review and recommend to the Board 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*;
- 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, provide 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 and discuss significant financial risks or exposures and assess the steps Management has taken to monitor, control, report and mitigate such risk 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;
- 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 approve 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;

- 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;
- 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;
- oversee Management's process to ensure its disclosure regarding forward looking information is appropriate and thorough; and

Insurance

- review annually the Corporation's insurance programs and pension plans, not including the directors' and officers' insurance program.

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.

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.

(b) 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.

(c) 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 description 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.

(d) 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.

(e) 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.

(f) 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".

(g) 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.

(h) 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; provided, however, that a member may in any manner waive notice of a 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.

(i) 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.

(j) Attendance of Others at Meetings
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.

(k) 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 October 24, 2014

Precision Drilling Corporation

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Precision
DRILLING

MD&A

Management's Discussion and Analysis

Precision Drilling Corporation
2014

This management's discussion and analysis (**MD&A**) contains information to help you understand our business and financial performance. Information is as of March 6, 2015. This MD&A focuses on our consolidated financial statements and includes a discussion of known risks and uncertainties relating to 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 3. We adopted IFRS effective January 1, 2011, and restated our 2010 results at that time.

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

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”).

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

- the expected use of the net proceeds from our private offering of 5.25% Senior Notes
- the potential development of the LNG export sector in Canada and the U.S. and its potential to serve as a catalyst for future natural gas drilling activity
- continuing customer demand for Tier 1 drilling rigs
- international expansion plans
- our capital expenditure plans including the amounts to be allocated for expansion capital, upgrades and sustaining and infrastructure expenditures
- the number of new build rigs to be delivered to customers including timing of delivery
- the plans to add a training rig to our Nisku facility
- our strategic priorities for 2015, which includes growing our integrated directional drilling service under the Schlumberger alliance
- amendments to IFRS and their expected impact on our financial statements.

These 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 continue to make advances in drilling and completion techniques and make efficiency gains
- our ability to react to customers’ spending plans as a result of the recent decline in oil prices
- the status of current negotiations with our customers and vendors
- Tier 1 rigs remaining best suited for the drilling of the majority of unconventional wells
- increasing demand for integrated directional drilling capabilities
- our ability to deliver rigs to customers on a timely basis
- the general stability of the economic and political environment in the jurisdictions where we operate.

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, the following:

- volatility in the price and demand for oil and natural gas
- fluctuations in customer spending and its impact on the demand for contract drilling, well servicing and ancillary oilfield services
- the risks associated with our investments in capital assets and changing technology
- shortages, delays and interruptions in the delivery of equipment, supplies and other key inputs
- the effects of seasonal and weather conditions on operations and facilities
- the availability of qualified personnel and management
- the existence of competitive operating risks inherent in our businesses
- changes in environmental and safety rules or regulations including increased regulatory scrutiny on horizontal drilling and hydraulic fracturing
- terrorism, social, civil and political unrest in the foreign jurisdictions where we operate
- fluctuations in foreign exchange, interest rates and tax rates
- other unforeseen conditions which could impact the use of services supplied by Precision and Precision's ability to respond to such conditions
- other risks and uncertainties set out in this MD&A under the heading *Risks in our Business*

You are cautioned that the foregoing list of risk factors is not exhaustive. Other risks and uncertainties are set out in reports on file with applicable securities regulatory authorities, including but not limited to our annual information form (**AIF**) for the year ended December 31, 2014, which may be accessed on Precision's SEDAR profile on SEDAR (**www.sedar.com**) or under Precision's EDGAR 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 applicable securities law.

ADDITIONAL 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, finance charges, foreign exchange, impairment of goodwill, loss on asset decommissioning, and depreciation and amortization), as reported in the Consolidated Statement of Earnings, 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 excluding the impact of foreign exchange, taxation, non-cash depreciation, amortization and impairment charges, and non-cash decommissioning charges.

Operating Earnings

We believe that operating earnings, as reported in the Consolidated Statement of Earnings, 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 excluding the impact of foreign exchange and taxation.

Funds Provided by Operations

We believe that funds provided by operations, as reported in the Consolidated Statement 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.

About Precision

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

Headquartered in Calgary, Alberta, Canada, we are Canada's largest oilfield services company and one of the largest in the U.S. We also have operations in Mexico and the Middle East.

Our 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 and related services.

You can read about our strategic priorities on page 22.

STRENGTH AND FLEXIBILITY

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 strength and flexibility are underpinned by four distinguishing features:

- a competitive operating model that drives efficiency, quality and cost control
- size and scale of operations that provide higher margins and better service capabilities
- liquidity that allows us to take advantage of business cycle opportunities
- a capital structure that provides long-term stability and flexibility.

TWO BUSINESS SEGMENTS

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

Precision Drilling Corporation

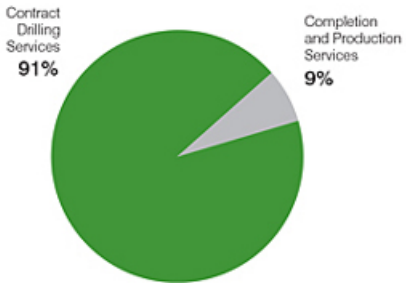
Contract Drilling Services
- Drilling rig operations
  - Canada
  - U.S.
  - International
- Directional drilling operations
  - Canada
  - U.S.

Completion and Production Services
- Canada and U.S.
  - Service rigs
  - Equipment rentals
- Canada
  - Snubbing and coil tubing
  - Camps and catering
  - Water systems

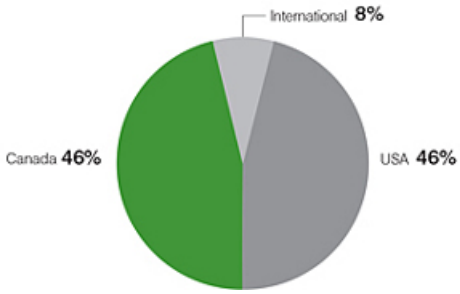
Business support systems
- Sales and marketing
- Procurement and distribution
- Manufacturing
- Equipment maintenance and certification
- Engineering

Corporate support
- Information systems
- Health, safety and environment
- Human resources
- Finance
- Legal and enterprise risk management

2014 Adjusted EBITDA by Operating Segment



2014 Revenue by Region



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 the second largest land drilling contractor in North America, servicing approximately 23% of the active land drilling market in Canada and 5% of the active U.S. market. We also have an international presence with operations in Mexico and the Middle East.

At December 31, 2014, our Contract Drilling Services segment consisted of:

- 313 land drilling rigs, including:
  - 174 in Canada
  - 124 in the U.S.
  - 6 in Mexico
  - 4 in Saudi Arabia
  - 2 in Kuwait
  - 2 in the Kurdistan region of Iraq
  - 1 in the country of Georgia
- capacity for approximately 88 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.

Drilling Rigs at December 31, 2014

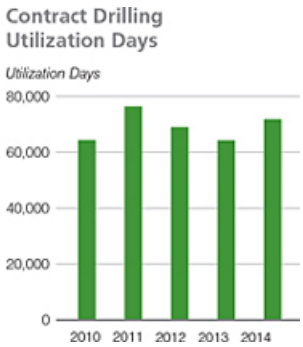
Horsepower	< 1000	1000-1500	>1500	Total
Tier 1	95	115	7	217
Tier 2	39	20	15	74
PSST (1)	14	4	4	22
Total	148	139	26	313

Geographic location	Canada	U.S.	International	Total
Tier 1	119	93	5	217
Tier 2	41	23	10	74
PSST (1)	14	8	–	22
Total	174	124	15	313

(1) Precision seasonal, stratification and turnkey rigs.







Completion and Production Services

We provide completion and workover services and ancillary services and equipment rentals to oil and natural gas exploration and production companies primarily in Canada, with a presence in the U.S.

On an operating hour basis in 2014, we serviced approximately 11% of the well completion and workover service rig market demand in Canada.

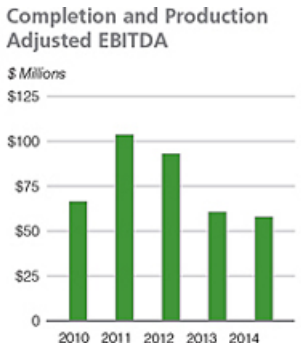
At December 31, 2014, our Completion and Production Services segment consisted of:

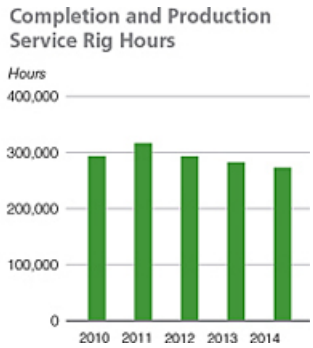
- 156 well completion and workover service rigs, including:
  - 148 in Canada
  - 8 in the U.S.
- 17 snubbing units in Canada
- 4 coil tubing units in Canada
- approximately 2,600 oilfield rental items including surface storage, small-flow wastewater treatment, power generation, and solids control equipment primarily in Canada
- 221 wellsite accommodation units in Canada and 65 in the U.S.
- 50 drilling camps and four base camps in Canada
- 10 large-flow wastewater treatment units, 25 pump houses and eight potable water production units in Canada.

Service Rig Fleet as at December 31, 2014

Type	2010	2011	2012	2013	**2014**
Well Completion and Workover Service					
Singles:					
Freestanding mobile	94	90	90	90	**74**
Doubles:					
Mobile	25	19	19	19	**7**
Freestanding mobile	35	40	40	40	**41**
Skid	28	22	22	22	**14**
Slants:					
Freestanding	18	18	19	20	**20**
Total service rigs	200	189	190	191	**156**
Snubbing units	20	18	19	19	**17**
Coil tubing units	–	–	5	12	**4**
Total service rigs, snubbing units and coil tubing units	220	207	214	222	**177**







2014 Highlights and Outlook

Adjusted EBITDA and funds provided by operations are additional GAAP measures. See page 5 for more information.

Financial Highlights

Year ended December 31 *(thousands of dollars, except where noted)*	2014	% increase/ (decrease)	2013	% increase/ (decrease)	2012	% increase/ (decrease)
Revenue	**2,350,538**	**15.8**	2,029,977	(0.5)	2,040,741	4.6
Adjusted EBITDA	**800,370**	**25.3**	638,833	(4.8)	670,792	(3.5)
Adjusted EBITDA % of revenue	**34.1%**		31.5%		32.9%	
Net earnings	**33,152**	**(82.7)**	191,150	265.1	52,360	(72.9)
Cash provided by operations	**680,159**	**58.9**	428,086	(32.6)	635,286	19.2
Funds provided by operations	**697,474**	**51.0**	461,973	(22.9)	598,812	1.1
Investing activities						
Capital spending						
Expansion	**571,383**	**102.5**	282,145	(52.7)	596,194	30.9
Upgrade	**136,475**	**(3.3)**	141,132	8.5	130,094	(13.2)
Maintenance and infrastructure	**148,832**	**32.3**	112,527	(20.6)	141,769	16.9
Proceeds on sale	**(101,826)**	**661.5**	(13,372)	(57.4)	(31,423)	96.6
Net capital spending	**754,864**	**44.5**	522,432	(37.6)	836,634	17.8
Business acquisitions (net of cash acquired)	**–**	**–**	–	(100.0)	25	(100.0)
Earnings per share *($)*						
Basic	**0.11**	**(84.1)**	0.69	263.2	0.19	(72.9)
Diluted	**0.11**	**(83.3)**	0.66	266.7	0.18	(73.1)
Dividends per share *($)*	**0.25**	**19.0**	0.21	320.0	0.05	n/m

n/m – calculation not meaningful.

Operating Highlights

Year ended December 31	2014	% increase/ (decrease)	2013	% increase/ (decrease)	2012	% increase/ (decrease)
Contract drilling rig fleet	**313**	**(4.3)**	327	1.9	321	(4.7)
Drilling rig utilization days						
Canada	**32,810**	**7.5**	30,530	(5.6)	32,352	(14.8)
U.S.	**35,075**	**15.9**	30,268	(12.5)	34,597	(8.7)
International	**4,036**	**13.5**	3,555	70.4	2,086	197.2
Service rig fleet	**177**	**(20.3)**	222	3.7	214	3.4
Service rig operating hours	**273,194**	**(3.7)**	283,576	(3.8)	294,681	(7.2)

Financial Position and Ratios

(thousands of dollars, except ratios)	**December 31, 2014**	December 31, 2013	December 31, 2012
Working capital	**653,630**	305,783	278,021
Working capital ratio	**2.3**	1.9	1.7
Long-term debt	**1,852,186**	1,323,268	1,218,796
Total long-term financial liabilities	**1,881,275**	1,355,535	1,245,290
Total assets	**5,308,996**	4,579,123	4,300,263
Enterprise value (1)	**3,265,865**	3,919,763	3,213,406
Long-term debt to long-term debt plus equity (2)	**0.43**	0.36	0.36
Long-term debt to cash provided by operations	**2.72**	3.09	1.92
Long-term debt to enterprise value	**0.57**	0.34	0.38

(1) Share price multiplied by the number of shares outstanding plus long-term debt minus working capital. See page 39 for more information.
(2) Net of unamortized debt issue costs.

2014 OVERVIEW

Net earnings in 2014 were $33 million, or $0.11 per diluted share, compared to $191 million, or $0.66 per diluted share in 2013. During the year, we recorded a before-tax asset decommissioning charge and goodwill write down totaling $222 million that reduced net earnings by $182 million and net earnings per diluted share by $0.62. Effective January 1, 2014, we began calculating depreciation on our drilling rigs and service rigs on a straight-line basis, which reduced net earnings for the year by approximately $29 million, or $0.10 per diluted share, from what net earnings would have been using the previous depreciation method. We believe that, due to technological developments within the industry, straight-line depreciation better reflects the allocation of the cost of the assets over their expected lives.

Revenue in 2014 was $2,351 million, 16% higher than in 2013, mainly due to improved utilization and higher average pricing in our Contract Drilling Services segment. Contract Drilling Services revenue was up 17%, while revenue from Completion and Production Services was up 6%. Our international drilling activity increased 15% with an average of 15 rigs working in 2014 compared to 13 in 2013.

Adjusted EBITDA in 2014 was $800 million, 25% higher than in 2013. Our Adjusted EBITDA margin was 34%, compared to 31% in 2013. The increase in Adjusted EBITDA margin was mainly the result of higher utilization and improved margin in our Contract Drilling Services segment. Adjusted EBITDA margin for the year in our Contract Drilling Services segment was 41%, compared with 38% in the prior year, while Adjusted EBITDA margin from our Completion and Production segment was 17% compared to a prior year margin of 19%. A competitive industry and fixed costs contributed to the lower margin 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 all help us manage our Adjusted EBITDA margin.

On June 3, 2014, we issued US$400 million of 5.25% Senior Notes due in 2024 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 revolving credit facility and certain other indebtedness. We expect to use the net proceeds from this placement for general corporate purposes, including building new drilling rigs.

Drilling activity was robust throughout most of 2014, despite rapidly falling oil prices in the second half of the year. On the strength of oil prices, the industry momentum at the end of 2013 continued into 2014 as customers in North America focused on unconventional oil and natural gas liquids targets. Drilling activity in the Middle East and Mexico was strong throughout 2014, driven primarily by higher oil prices. Natural gas prices were higher for most of the year relative to 2013, but not high enough to encourage increased gas-directed drilling activity.

During the year, we decommissioned 29 drilling rigs, 35 well servicing rigs and two snubbing units and recognized a non-cash pre-tax decommissioning charge of $127 million. Certain components of the decommissioned equipment will be used in our ongoing operations. We also recorded a $95 million impairment charge to the goodwill attributable to Canadian well servicing and the wastewater treatment businesses as it was determined that their carrying values exceeded their recoverable amounts.

In the fourth quarter of 2014, we increased our quarterly dividend to $0.07 per common share.

OUTLOOK

Contracts

Our strong portfolio of term customer contracts provides a base level of activity and revenue and, as of March 6, 2015, we had term contracts in place for an average of 104 rigs: 45 in Canada, 48 in the U.S. and 11 internationally for 2015. In Canada, term contracted rigs normally generate 250 utilization days per rig year because of the seasonal nature of wellsite access. In most regions in the U.S. and internationally, term contracts normally generate 365 utilization days per rig year. In 2014, approximately 49% of our total contract drilling revenue was generated from rigs under term contract.

We expect to add 17 new-build Super Series rigs to our fleet in 2015 (13 for the U.S., three for Canada, and one for Kuwait).

Pricing, Demand and Utilization

The demand for energy is highly correlated with global economic growth and has been rising over the past several years with the improvement in the global economic situation. In addition, per capita energy consumption has been increasing in many developing countries. These demand fundamentals, along with the challenges of maintaining or growing global supply, supported stronger oil prices from 2009 through much of 2014. However, in late 2014 the price of crude oil on global markets began declining rapidly as global oversupply drove prices down sharply. For the first three quarters of 2014, West Texas Intermediate (**WTI**) averaged US$99.82 per barrel while from October 1, 2014 to March 6, 2015 WTI averaged US$63.21 per barrel. WTI closed at US$49.61 per barrel on March 6, 2015.

Natural gas prices have been depressed for a few years, reaching 10-year lows in 2012 before recovering slightly in 2014 to average US$4.33 per MMBtu at Henry Hub. Lower natural gas prices have persisted due to increased production from unconventional resource development, higher than average storage levels, and the lack of an export market from North America. Despite the industry-wide decline in natural gas drilling activity, U.S. production has continued to grow, keeping prices low.

Natural gas demand in North America largely depends on the weather with colder winter temperatures and, to a lesser extent, warmer summer temperatures resulting 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. As well, the potential of liquefied natural gas (**LNG**) export development in both Canada and the U.S. could serve as a catalyst for natural gas directed drilling activity over the medium to long term.

The oil rig count at March 6, 2015 was 37% lower in the U.S. than it was a year ago, and 61% lower in Canada. Despite declines of over 40% from peak levels in November 2014, the overall North American land oil directed rig count on March 6, 2015 was approximately three times higher than it was on March 6, 2009, supported by unconventional oil drilling in plays such as Bakken, Cardium, Montney, Duvernay, Eagle Ford, Granite Wash, Niobrara and Permian. We expect exploration and production companies drilling unconventional oil and gas wells will continue to seek ways to increase efficiencies and lower costs in their operations, supporting demand for highly efficient Tier 1 drilling rigs.

International
We currently have 15 rigs in Mexico and the Middle East, and we plan to deliver another new-build rig to Kuwait in the first half of 2015.

Upgrading the Fleet
We and some of our competitors have been upgrading the drilling rig fleet by building new rigs and upgrading existing rigs. We believe this retooling of the industry-wide fleet has been making Tier 3 rigs virtually obsolete in North America. In the fourth quarter of 2012, we decommissioned 52 rigs from our fleet and exited the conventional Tier 3 contract drilling business. In the fourth quarter of 2014, we decommissioned a further 29 drilling rigs (19 in Canada and 10 in the U.S.). Our focus on the Tier 1 market is aligned with our corporate strategy, customer relationships and competitive position.

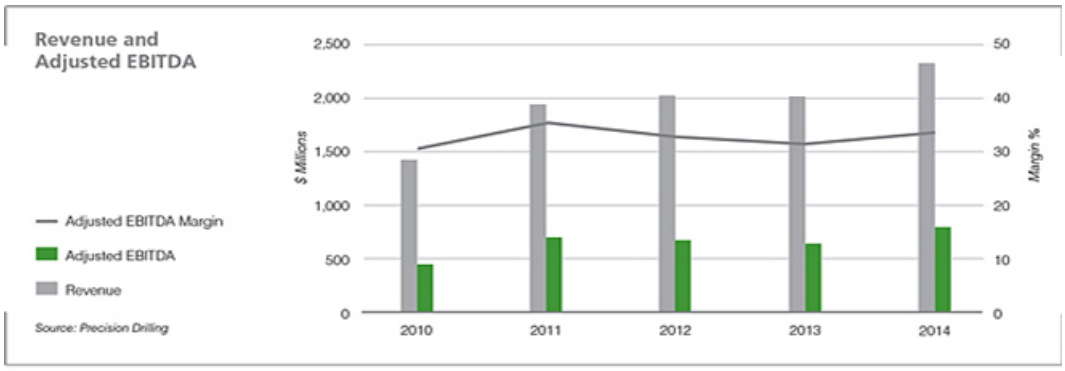
Capital Spending
We expect capital spending in 2015 to be approximately $487 million ($481 million in the Contract Drilling Services segment and $6 million in the Completion and Production Services segment):

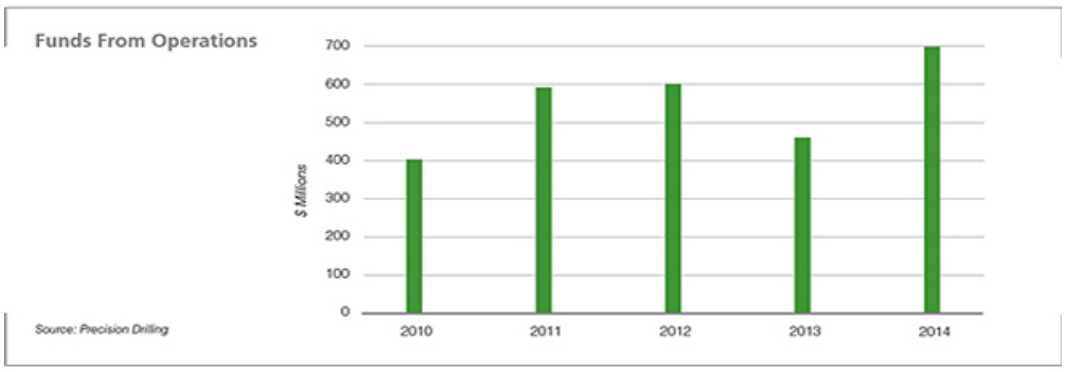
- $370 million for expansion capital, which includes the cost to complete construction of the 17 remaining drilling rigs from the 2014 new-build rig program
- $40 million for upgrade capital
- $77 million for sustaining and infrastructure expenditures, which is based on currently anticipated activity levels.

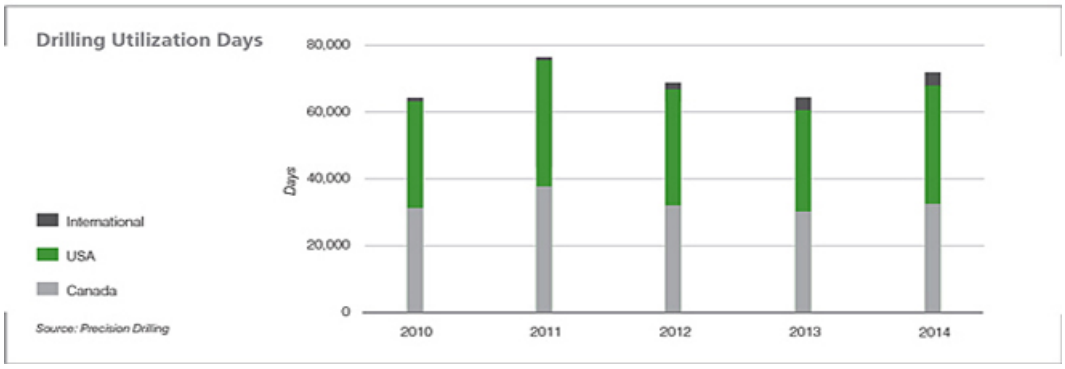
Following is a new-build delivery schedule of expected deliveries in 2015. All of the rigs shown on the table below are backed by customer contracts.

	2015				
	Q1	Q2	Q3	Q4	Total
Rig Deliveries:					
Canada	2	–	1	–	3
U.S.	7	6	–	–	13
International	–	1	–	–	1
	9	7	1	–	17

The 13 rigs for the U.S. are Super Triple rigs and are scheduled to be delivered to multiple unconventional basins for five different customers. The new-build rigs in Canada are ST-1200 rigs for three different customers. The international new-build ST-1500 rig is expected to be delivered to Kuwait in June 2015. As at March 6, 2015, eight of the 17 rigs had been delivered and placed into service.


Revenue and Adjusted EBITDA
Adjusted EBITDA Margin
Adjusted EBITDA
Revenue
Source: Precision Drilling
$ Millions
Margin %
2,500
2,000
1,500
1,000
500
0
50
40
30
20
10
0
2010
2011
2012
2013
2014


Funds From Operations
Source: Precision Drilling
$ Millions
700
600
500
400
300
200
100
0
2010
2011
2012
2013
2014


Drilling Utilization Days
International
USA
Canada
Source: Precision Drilling
Days
80,000
60,000
40,000
20,000
0
2010
2011
2012
2013
2014

Understanding our Business Drivers

THE ENERGY INDUSTRY

Precision operates in the energy services business, which is an inherently challenging cyclical industry. Customer demand depends on the end price for their products: crude oil, natural gas, and natural gas liquids.

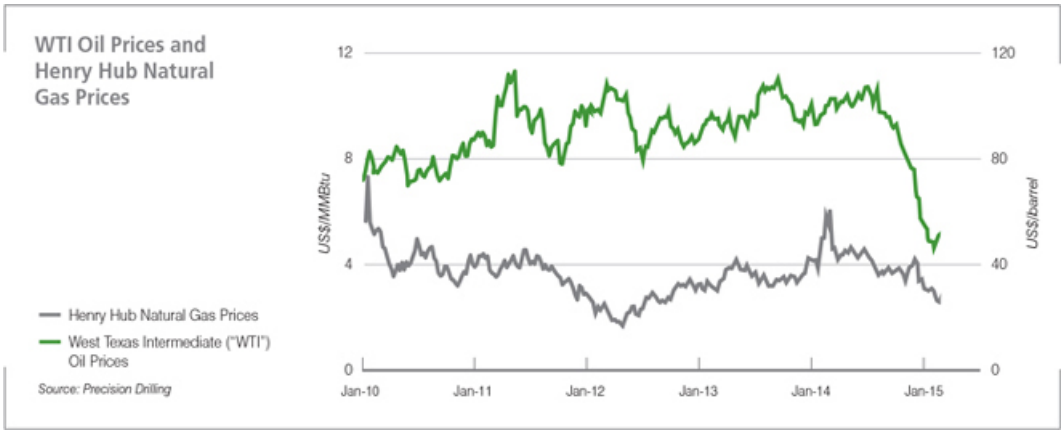
We depend on oil and natural gas exploration and production companies to contract our services as part of their development activities. The economics of their business are dictated by the current and expected future margin between their finding and development costs and the eventual market price for the commodities they produce.

Commodity Prices

Our customers' cash flow to fund exploration and development is dependent on commodity prices: higher prices increase cash flow and encourage investment.

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. Oil prices had generally been relatively strong since 2009 as supply and demand fundamentals remained tight. Strong prices contributed to significant drilling activity in North America, resulting in supply growth, particularly from shale plays in the U.S. This activity, combined with slower than expected global demand growth and sustained production levels from OPEC, led to a supply-demand imbalance, which resulted in price deterioration beginning in late 2014 and continuing into 2015.

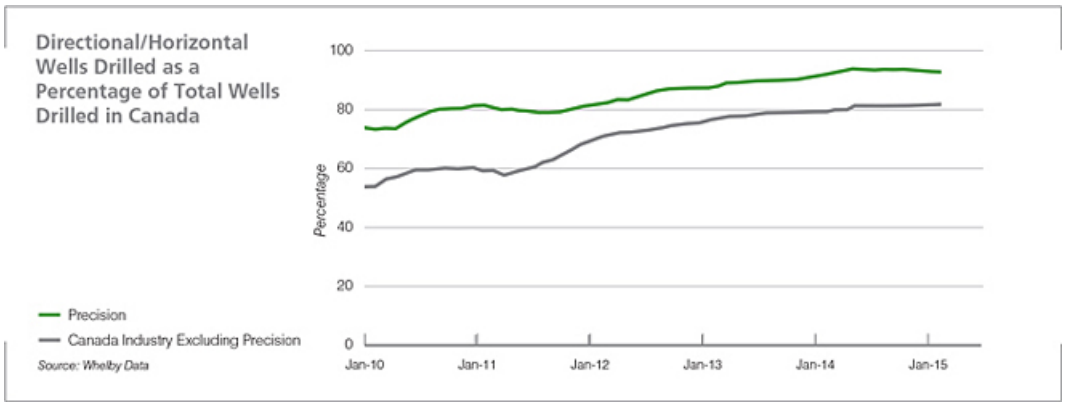
Natural gas and natural gas liquids continue to be priced regionally. In North America, colder weather late in 2013 and early 2014 increased demand for natural gas, depleting inventories and causing spot prices to rise at the beginning of the year. But as the year progressed, supplies of unconventional natural gas increased and inventories reached levels that are viewed as adequate to keep North American markets well supplied.



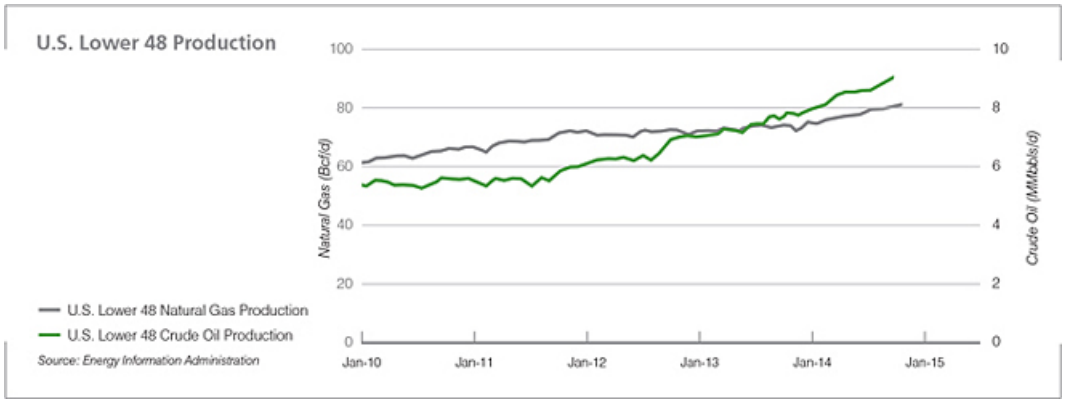
New Technology

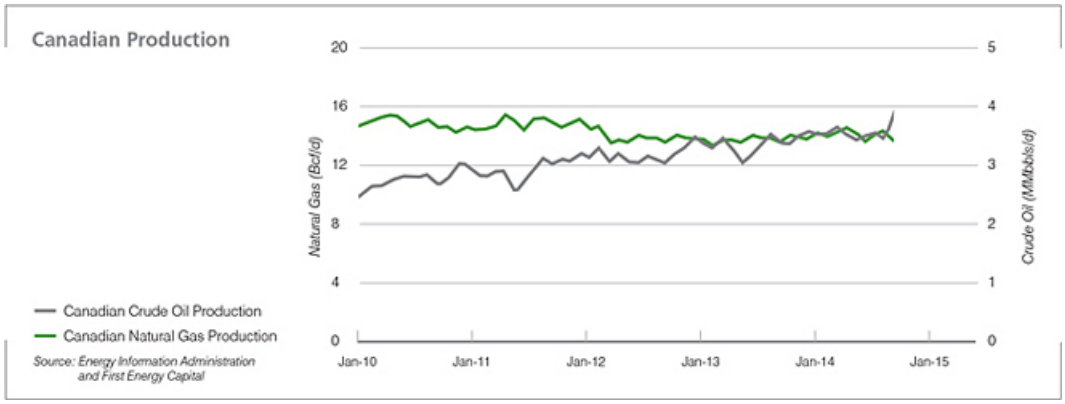
Technological advancements in horizontal drilling, fracturing and stimulation have brought about a shift in development from conventional to unconventional natural gas and oil reservoirs. This is giving companies cost-effective access to more complex reservoirs in North America, in existing basins and in new basins that have not been economic in the past.

The following chart shows the consistent trend away from vertical wells to more demanding directional/horizontal well programs, which require higher capacity equipment and greater technical expertise for drilling. These trends are driving the demand for high performing, Tier 1 drilling rigs, which garner premium contract rates.



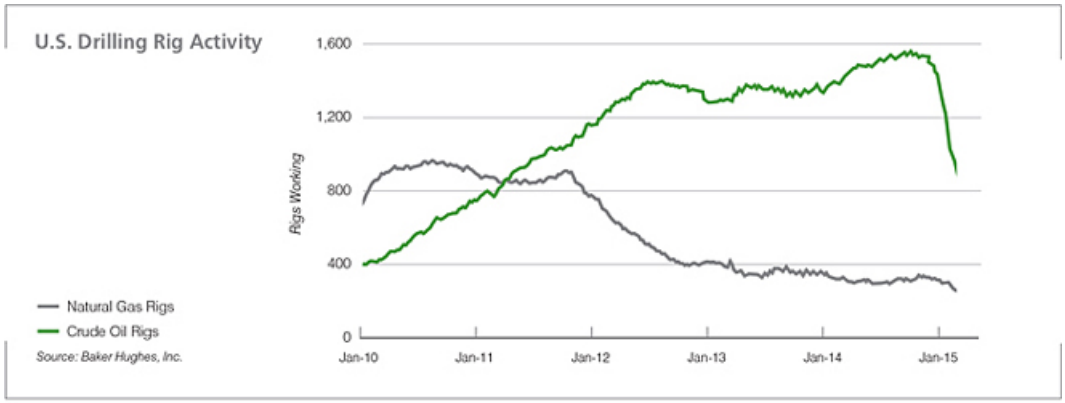
These technical innovations have been a major factor in the increase in natural gas production in the U.S., which is becoming less reliant on Canada as a source of natural gas. Natural gas production in Canada has been declining because of lower natural gas directed drilling due to pricing pressure and Canada's lack of an export market other than the U.S.

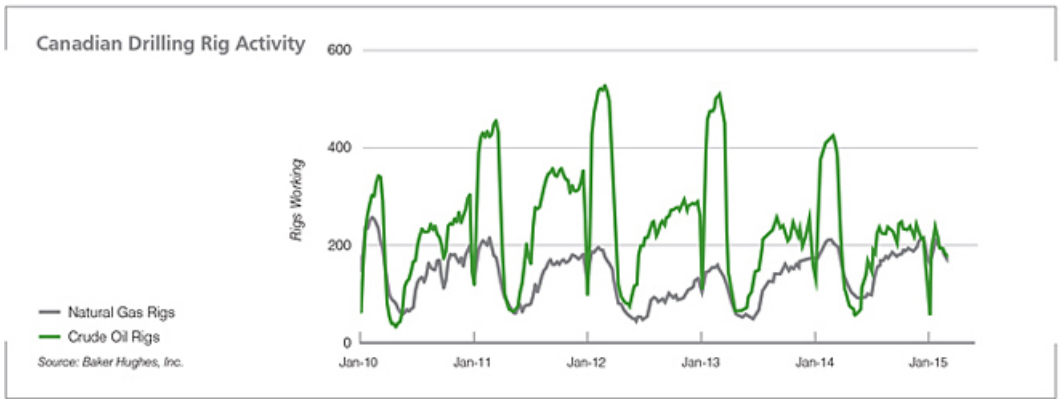




Drilling Activity

The graphs below show that, since 2010, drilling activity in the U.S. and Canada has been shifting from natural gas to oil. The Canadian drilling rig activity graph also shows how Canadian drilling activity fluctuates with the seasons, a market dynamic that in general is not present in the U.S.





A COMPETITIVE OPERATING MODEL

The contract drilling business is highly competitive, with numerous industry participants. We compete for long-term drilling contracts that are often awarded based on 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 and condition of rigs, quality of rig crews, breadth of service 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 by employing passionate people supported by superior systems and equipment designed to maximize productivity and reduce risks. We create High Value by operating safely, lowering customer risks and costs, developing people, generating financial growth, and attracting investment.

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
- effectively managing operations to keep non-productive time to a minimum
- compensating our executives and eligible employees based on performance against safety, operational, employee retention, and financial measures.

Efficient, Cost-Reducing Technology

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

The versatile Precision Super Series design features technical innovations in safety and drilling efficiency for horizontal wells on a single or multiple well pad. Precision Super Series rigs use extended length drill pipe, an integrated top drive, innovative unitization to facilitate quick moves between well locations, a small footprint to minimize environmental impact, and enhanced safety features such as automated pipe handling with iron roughnecks and remotely operated torque wrenches.

Super Triple electric rigs (ST-1200 and ST-1500) have greater hoisting capacity and are used in deeper exploration and development drilling, while Super Single rigs are used in shallow to medium depth applications. Power capabilities are a major design criterion for Super Triple rigs. Drilling productivity and reliability with AC power drive systems provides added precision and measurability, while a computerized electronic auto driller feature precisely controls weight, rotation and torque on the drill bit.

Broad Geographic Footprint

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

Managing Downtime

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 (move, rig-up and rig-out time) by utilizing walking and skidding systems, reducing the number of move loads per rig, having lighter move loads, 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. And we link incentive compensation for our senior team to returns generated compared to established benchmarks.

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. 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.
- Financial performance – Adjusted EBITDA and return on capital employed calculated as a percentage of pre-tax operating earnings divided by total assets less current liabilities. Measured against predetermined targets.
- Investment returns – total shareholder return performance, including dividends, against an industry peer group over a three year period. Measured against predetermined competitors in the established peer group.

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 oil and natural gas drilling opportunity in North America.

69%

As at December 31, 2014, 69% of our 313 drilling rigs were Tier 1 rigs.

In 2014, we high-graded our drilling rig fleet, as follows:

- added 15 Tier 1 new-build drilling rigs, with 17 additional Tier 1 new-build drilling rigs in various stages of completion expected to be delivered by mid 2015
- upgraded 12 drilling rigs, half of which were tier upgrades
- decommissioned 29 legacy drilling rigs (19 in Canada and 10 in the U.S.).

As at December 31, 2014, 69% of our 313 drilling rigs were Tier 1 rigs.

Tier 1 Rigs are better suited to meet the challenges of complex customer requirements for resource exploitation in North American shale and unconventional plays	High performance Super Series rigs, innovative in design, capable of drilling directionally or horizontally, highly mobile (move with pad walking or skidding systems or require fewer trucking loads) *Features* ¡ highly mechanized tubular handling equipment ¡ integrated top drive or top drive adaptability ¡ advanced AC, silicone controlled rectifier (SCR) and mechanical power distribution and control efficiencies ¡ electronic or hydraulic control of the majority of operating parameters ¡ specialized drilling tubulars ¡ high-capacity mud pumps ¡ majority use Range III drill pipe
Tier 2 High performance rigs with new equipment and modifications to improve performance and enhance directional and horizontal drilling capability	High performance rigs, capable of drilling directionally or horizontally, generally less mobile than Tier 1 rigs *Features* ¡ some mechanization of tubular handling equipment ¡ top drive adaptability ¡ SCR or mechanical-type power systems ¡ increased hookload and or racking capabilities ¡ upgraded power generating, control systems and other major components ¡ high-capacity mud pumps
PSST (Precision seasonal, stratification and turnkey) Typically, conventional mechanical rigs with no automation and lower pumping capacity	Acceptable level of performance for certain drilling requirements but would require major equipment upgrades to meet the criteria of a Tier 2 or Tier 1 rig ¡ Other than 22 rigs retained for seasonal, stratification and turnkey drilling work, we have exited the Tier 3 market. We believe that developments in the land drilling industry have made the Tier 3 rigs virtually obsolete 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 the northern U.S. Service rigs are supported by three field locations in Alberta, two in Saskatchewan, and one in each of 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.

Coil tubing units have the ability to service horizontal wells by pushing the tubing rather than relying on gravity. Coil tubing often works more effectively in the unconventional horizontal wells that are becoming more common. We began using our first coil tubing unit in the first quarter of 2012 and by the end of 2013 we had 12 units operating. However, in the fourth quarter of 2014, we sold our U.S. coil tubing assets for cash consideration of $44 million. Our remaining four coil tubing units continue to serve the Canadian market.

Ancillary Equipment and Services

An inventory of equipment (portable 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 provided by Rostel Industries and for standardization and distribution of consumable oilfield products through Columbia Oilfield Supply in Canada and Precision Supply in the U.S.

Precision Rentals supplies customers with an inventory of specialized equipment and wellsite accommodations. Precision Camp Services supplies meals and provides accommodation for crews at remote oilfield worksites. Terra Water Systems plays an essential role in providing water treatment services as well as potable water production plants for Precision Camp Services and other camp facilities.

Systematic Maintenance

We consistently reinvest capital to sustain and upgrade existing property, plant and equipment. We match equipment repair and maintenance expenses to activity levels under our maintenance and certification programs. We use computer systems to track key preventative maintenance indicators for major rig components, record equipment performance history, schedule equipment certifications, reduce downtime, and better manage our assets. We have a continuous maintenance program for essential elements, such as tubulars and engines.

Technical Centres

We operate two contract drilling technical centres, one in Nisku, Alberta and the other in Houston, Texas. We also operate one Completion and Production Services technical centre in Red Deer, Alberta. These centres house our technical service and field training groups and enable us to consolidate support and training for our operations. The Houston facility includes a fully functioning training rig with the latest drilling technologies; a training rig will be added at the Nisku facility in 2015. In addition, our Houston facility houses our rig manufacturing group.

Upgrade Opportunities

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

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, 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. In the U.S., these functions are managed to align with regional labour and customer service requirements.

In 2008, we launched Toughnecks (**www.toughnecks.com**), our highly successful field recruiting program.

Systems

Our fully integrated, enterprise-wide reporting system has improved business performance through real-time access to information across all functional areas. All of our divisions operate on a common integrated system using standardized business processes across finance, payroll, equipment maintenance, procurement, and inventory control functions.

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 as economies of scale can be identified and leveraged 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 an industry standard recordable frequency statistic that benchmarks successes 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 of the potential for a more serious incident. In 2014, 256 of our drilling rigs and 195 of our service rigs achieved Target Zero. We continue to embrace technological advancements that make operations safer.

Target Zero

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

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 recognized as the *High Performance, High Value* provider of services for global energy exploration and development. We work toward this vision by defining and measuring our results against strategic priorities we establish at the beginning of every year.

2014 Strategic Priorities	2014 Results
Execute our *High Performance, High Value* strategy Invest in our physical and human capital infrastructure to advance field level professional development. Provide industry leading service to customers and demand safe operations. Leverage our scale of operations and utilize established systems to promote consistent and reliable service. field level professional development.	Improved safety performance in both operating segments in 2014, resulting in the best performance in our history. Completed construction of our Nisku Technical Centre. Entered into a technology service agreement and marketing alliance with Schlumberger that enables us to market a full range of downhole technology. Increased the utilization of our centralized U.S. repair and maintenance facility. Achieved Target Zero for more than 75% of our drilling rigs and 90% of our service rigs. Achieved better than predetermined targets for mechanical downtime.
Execute on existing organic growth opportunities Deliver new-build and upgraded drilling rigs to customer contracts, expand international activity in existing locations and grow our LNG drilling leadership position. Be a recognized leader in the integrated directional drilling transformation. Grow our U.S. presence in Completion and Production Services.	Delivered 15 new-build Super Series rigs to customers on long-term contracts and upgraded 12 existing drilling rigs to higher specification assets under long-term contracts. Signed customer contracts for the delivery of 17 new-build rigs in 2015. Seven of the new-build deliveries in 2014 and 2015 are for customers with an ownership interest in resources expected to support potential Canadian LNG exports. Expanded international operations with rig additions in the Middle East.
Build our brand Uphold our reputation and market breadth in North America while strengthening our presence in select oilfield markets internationally.	Delivered strong Canadian and U.S. financial performance throughout 2014 and exceeded employee retention goals across all targeted skill positions. Increased recognition from U.S. and international investors while retaining strong support from Canadian base.

Our corporate and competitive growth strategies are designed to optimize resource allocation and differentiate us from the competition, generating value for investors. Despite the recent drop in industry activity, long-term we see opportunities for growth in our Contract Drilling Services land drilling rig fleet both in North America and internationally. 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. The completion and production work associated with unconventional wells provides the most profitable growth opportunities for Completion and Production Services.

STRATEGIC PRIORITIES FOR 2015

Work with our customers to lower well costs

Deliver *High Performance, High Value* services to customers to create maximum efficiency and lower risks for development drilling programs.

Utilize our unique platform of Tier 1 assets, geographically diverse operations, and highly efficient service offering to deliver cost-reducing solutions.

Grow our cost-reducing integrated directional drilling service with the Schlumberger alliance.

Maximize cost efficiency throughout the organization

Continue to leverage Precision's scale to reduce costs and deliver High Performance.

Maximize the benefits of the variable nature of operating and capital costs.

Maintain an efficient corporate cost structure by optimizing systems for assets, people and business management.

Maintain our uncompromising focus on worker safety, premium service quality, and employee development.

Reinforce our competitive advantage

Gain market share as Tier 1 rigs remain most in demand.

High-grade our active rig fleet by delivering new-build rigs and maximizing customer opportunities to utilize High Performance assets.

Deliver consistent, reliable, High Performance service.

Retain and continue to develop the industry's best people.

Manage liquidity and focus activities on cash flow generation

Monitor working capital, debt and liquidity ratios.

Maintain a scalable cost structure that is responsive to changing competition and market demand.

Adjust capital plans according to utilization and customer demand.

Link executive incentive compensation to our performance.

2014 Results

Adjusted EBITDA and operating earnings are additional GAAP measures. See page 5 for more information.

Consolidated Statements of Earnings Summary

Year ended December 31 *(thousands of dollars)*	**2014**	2013	2012
Revenue			
Contract Drilling Services	**2,017,110**	1,719,910	1,725,240
Completion and Production Services	**343,556**	323,353	326,079
Inter-segment elimination	**(10,128)**	(13,286)	(10,578)
	2,350,538	2,029,977	2,040,741
Adjusted EBITDA			
Contract Drilling Services	**821,490**	653,664	649,281
Completion and Production Services	**57,954**	61,032	93,554
Corporate and Other	**(79,074)**	(75,863)	(72,043)
	800,370	638,833	670,792
Depreciation and amortization	**448,669**	333,159	307,525
Loss on asset decommissioning	**126,699**	–	192,469
Operating earnings	**225,002**	305,674	170,798
Impairment of goodwill	**95,170**	–	52,539
Foreign exchange	**(946)**	(9,112)	3,753
Finance charges	**109,701**	93,248	86,829
Earning before income taxes	**21,077**	221,538	27,677
Income taxes	**(12,075)**	30,388	(24,683)
Net earnings	**33,152**	191,150	52,360

Results by Geographic Segment

Year ended December 31 *(thousands of dollars)*	**2014**	2013	2012
Revenue			
Canada	**1,077,814**	1,002,199	1,053,966
U.S.	**1,096,918**	901,246	936,113
International	**195,487**	137,681	64,017
Inter-segment elimination	**(19,681)**	(11,149)	(13,355)
	2,350,538	2,029,977	2,040,741
Total assets			
Canada	**2,434,774**	2,082,958	2,119,891
U.S.	**2,244,867**	2,006,519	1,913,810
International	**629,355**	489,646	266,562
	5,308,996	4,579,123	4,300,263

2014 COMPARED TO 2013

Net earnings in 2014 were $33 million, or $0.11 per diluted share, compared to $191 million, or $0.66 per diluted share, in 2013. During the year, we recorded a before-tax asset decommissioning charge and goodwill write down totaling $222 million that reduced net earnings by $182 million and net earnings per diluted share by $0.62. Effective January 1, 2014, we began calculating depreciation on our drilling rigs and service rigs on a straight-line basis, which reduced net earnings by approximately $29 million, or $0.10 per diluted share, compared with what net earnings would have been using the previous depreciation method.

Revenue was $2,351 million, 16% higher than 2013. The increase was the result of improved utilization and average pricing in our Contract Drilling Services segment.

Adjusted EBITDA in 2014 was $800 million, 25% higher than 2013, primarily because of higher activity levels and higher average pricing in our Contract Drilling Services segment. Activity, as measured by drilling utilization days, increased 8% in Canada, 16% in the U.S., and 14% internationally compared to 2013.

Average Oil and Natural Gas Prices

	2014	2013	2012
Oil			
West Texas Intermediate *(per barrel)*	**US $93.06**	US $98.02	US $94.13
Natural gas			
Canada			
AECO *(per MMBtu)*	**$4.45**	$3.18	$2.39
U.S.			
Henry Hub *(per MMBtu)*	**US $4.33**	US $3.73	US $2.75

Key Statistics

There were 10,942 wells drilled in western Canada in 2014, consistent with the 10,903 drilled in 2013. Despite only increasing 39 wells, total industry drilling operating days were 9% higher than 2013, at 131,021. Average industry drilling operating days per well was 12.0 compared to 11.0 in 2013. Average depth of a well increased 8%.

Approximately 37,500 wells were started onshore in the U.S., 5% more than the approximately 35,700 wells started in 2013.

Goodwill

Under IFRS, we are required annually to assess the carrying value of our assets in cash generating units containing goodwill. Due to the decrease in oil and natural gas well drilling in Canada and the outlook for pricing, we recognized a $95 million impairment charge on goodwill in 2014, which represented the full amount of goodwill attributable to our Canadian well servicing operation and water treatment operations.

Foreign Exchange

We recognized a foreign exchange gain of $1 million in 2014 (2013 – $9 million) because the Canadian dollar weakened 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 $110 million, an increase of $16 million compared with 2013. The increase is the result of the issuance of the US$400 million 5.25% Senior Notes due in 2024 and the impact of the weaker Canadian dollar on our U.S. dollar denominated interest.

Income Taxes
Income taxes were a recovery of $12 million, $42 million lower than 2013 mainly because operating results were lower.

On August 7, 2014, the Ontario Court of Appeal ruled in favour of Precision's wholly owned subsidiary, Inter-Leasing, Inc., reversing a decision by the Ontario Superior Court of Justice dated June 2013, regarding the reassessment of Ontario income tax for Inter-Leasing, Inc.'s 2001 through 2004 taxation years. The Ontario Minister of Revenue made an application to the Supreme Court of Canada seeking leave to appeal this decision. On March 5, 2015, the Supreme Court of Canada denied the Ontario Minister of Revenue's application for leave to appeal. The decision by the Supreme Court of Canada brought the appeal process to an end and Precision has reflected the $55 million paid to the Ontario tax authorities in 2008, related to the reassessed taxation years, as a current receivable. It is expected that this amount plus interest and costs will be received from the Ontario Minister of Revenue in 2015.

2013 COMPARED TO 2012
Net earnings in 2013 were $191 million, or $0.66 per diluted share, compared to $52 million, or $0.18 per diluted share, in 2012. For 2012, net earnings and net earnings per diluted share include the impact of charges associated with asset decommissioning and an impairment charge to the goodwill attributable to our Canadian directional drilling operations.

Revenue was $2,030 million, 1% lower than in 2012. Improved pricing in Canada and increased activity internationally were offset by lower activity levels in both the Contract Drilling Services and Completion and Production Services segments.

Adjusted EBITDA in 2013 was $639 million, 5% lower than 2012. Lower activity levels were partially offset by higher average pricing in both operating segments due to changes in product mix. Activity, as measured by drilling utilization days, dropped 6% in Canada and 13% in the U.S. compared to 2012 but increased 70% internationally.

The volatile global environment and low natural gas prices in much of 2013 reduced utilization for us and for the industry in general.

Key Statistics
There were 10,903 wells drilled in western Canada in 2013, 1% more than the 10,753 drilled in 2012. Despite the 150 well increase, total industry drilling operating days were 3% lower than 2012, at 120,043. Average industry drilling operating days per well was 11.0 compared to 11.6 in 2012. Average depth of a well increased 7%. The decrease in days per well while average depth increased reflects the use of top tier rigs and greater industry experience with unconventional drilling.

U.S. activity, as measured by onshore well starts, was down 3% year over year. Approximately 35,700 wells were started in 2013, compared to approximately 36,800 wells in 2012.

Foreign Exchange
We recognized a foreign exchange gain of $9 million in 2013 because the Canadian dollar weakened 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 $93 million, an increase of $6 million compared with 2012 primarily due to the increase in average outstanding debt in Canadian dollars.

Income Taxes
Income taxes were $30 million, $55 million higher than in 2012 mainly because operating results were higher.

Segmented Results

CONTRACT DRILLING SERVICES

Financial Results

Adjusted EBITDA and operating earnings are additional GAAP measures. See page 5 for more information.

Year ended December 31 *(thousands of dollars, except where noted)*	**2014**	**% of revenue**	2013	% of revenue	2012	% of revenue
Revenue	**2,017,110**		1,719,910		1,725,240	
Expenses						
Operating	**1,147,826**	**56.9**	1,019,156	59.3	1,036,553	60.1
General and administrative	**47,794**	**2.4**	47,090	2.7	39,406	2.3
Adjusted EBITDA	**821,490**	**40.7**	653,664	38.0	649,281	37.6
Depreciation and amortization	**381,465**	**18.9**	292,217	17.0	271,993	15.8
Loss on asset decommissioning	**97,947**	**4.8**	–	–	192,469	11.1
Operating earnings	**342,078**	**17.0**	361,447	21.0	184,819	10.7

2014 Compared to 2013

Revenue from Contract Drilling Services was $2,017 million, 17% higher than 2013, mainly due to improved utilization days and higher average day rates in all of our geographic business units.

Operating expenses were 57% of revenue, compared to 59% in 2013, mainly because of improved results from our international drilling business and lower operating costs per utilization day in the U.S. Operating expenses per day were 1% higher in Canada and 4% lower in the U.S. mainly because of a reduction in crew labour costs and a larger activity base over which to spread fixed costs. General and administrative expense for 2014 was in line with 2013.

Operating earnings were $342 million, 5% lower than 2013, and equated to 17% of revenue compared to 21% in 2013. Included in the 2014 Contract Drilling Services results was a loss on asset decommissioning charge of $98 million related to the decommissioning of 29 drilling rigs in the fourth quarter.

Capital expenditures in 2014 were $822 million:

- $564 million – to expand our asset base
- $137 million – to upgrade existing equipment
- $121 million – on maintenance and infrastructure.

Most of the expansion capital was on 32 new-build rigs, as part of our rig build program; 15 of these were completed and placed into service by December 31, 2014, the remaining 17 are expected to be placed into service in 2015.

Operating Statistics

Year ended December 31	**2014**	**% increase/ (decrease)**	2013	% increase/ (decrease)	2012	% increase/ (decrease)
Number of drilling rigs (year-end)	**313**	**(4.3)**	327	1.9	321	(4.7)
Drilling utilization days (operating and moving)						
Canada	**32,810**	**7.5**	30,530	(5.6)	32,352	(14.8)
U.S.	**35,075**	**15.9**	30,268	(12.5)	34,597	(8.7)
International	**4,036**	**13.5**	3,555	70.4	2,086	197.2
Drilling revenue per utilization day						
Canada *(Cdn$)*	**22,250**	**0.6**	22,108	5.1	21,030	14.0
U.S. *(US$)*	**24,330**	**3.2**	23,575	(0.5)	23,696	9.0
Drilling statistics (Canadian operations only)						
Wells drilled	**3,091**	**(3.7)**	3,211	4.1	3,085	(13.5)
Average days per well	**9.4**	**11.9**	8.4	(10.6)	9.4	(1.1)
Metres drilled *(hundreds)*	**5,864**	**5.2**	5,576	6.6	5,233	(8.5)
Average metres per well	**1,897**	**9.2**	1,736	2.4	1,696	5.8

Canadian Drilling

Revenue from Canadian drilling was up $55 million or 8% from 2013. Drilling rig activity, as measured by utilization days, was up 7%.

In 2014, the industry drilled 10,942 wells in western Canada, in line with the 10,903 wells drilled in 2013. Industry operating days increased 9% to 131,021 as wells drilled in 2014 were on average 8% deeper than wells drilled in 2013.

Adjusted EBITDA was $357 million, 7% higher than 2013, because of higher drilling activity.

Depreciation expense for the year was $19 million higher than 2013 because of changes in the estimated remaining useful life of our capital equipment, a change to straight-line depreciation, and depreciation expense associated with new equipment.

Drilling Statistics – Canada

In 2014, we completed five new-build rigs, transferred one rig from the U.S. to Canada, and decommissioned 19 legacy rigs, bringing our Canadian 2014 year-end net rig count to 174 (from 187 in the prior year).

The industry drilling rig fleet decreased as well – there were approximately 797 rigs at the end of 2014 compared to 819 at the end of 2013. Our operating day utilization was 42% (2013 – 39%), compared to industry utilization of 44% (2013 – 40%).

Our average dayrates in Canada increased 1% in 2014 because of rig mix and new-build and upgraded rigs entering the fleet compared to the prior year, partially offset by competitive pricing in some rig segments.

U.S. Drilling

Revenue from U.S. drilling was higher than 2013 by US$140 million or 20%. Drilling rig activity, as measured by utilization days, was up 16% while average revenue per day was up 3%.

Adjusted EBITDA was US$359 million, 33% higher than US$270 million in 2013, mainly because of higher industry activity.

Depreciation expense for the year was $29 million higher than 2013 because of changes in the estimated remaining useful life of our capital equipment, a change to straight-line depreciation, and depreciation expense associated with new equipment.

Drilling Statistics – U.S.

In 2014, we completed seven new-build rigs, transferred one net rig into our U.S. fleet from our international operations, transferred one rig to our Canadian fleet, and decommissioned ten rigs, leaving our U.S. year-end net rig count at 124 (127 in 2013). In 2014, we averaged 96 rigs working, a 16% increase from 2013.

Our average dayrates in the U.S. increased 3% in 2014 with the addition of new-build and upgraded rigs to our fleet, resulting in a better rig mix. Turnkey utilization days increased 24% over 2013 and accounted for approximately 3% of our U.S. rig utilization.

Drilling Statistics – U.S.

	2014		2013	
	Precision	**Industry**(1)	Precision	Industry(1)
Average number of active land rigs for quarters ended:				
March 31	**94**	**1,724**	81	1,706
June 30	**93**	**1,802**	80	1,710
September 30	**97**	**1,842**	81	1,709
December 31	**100**	**1,856**	90	1,697
Annual average	**96**	**1,806**	83	1,705

(1) Source: Baker Hughes

COMPLETION AND PRODUCTION SERVICES

Financial Results

Adjusted EBITDA and operating earnings are additional GAAP measures. See page 5 for more information.

Year ended December 31 *(thousands of dollars, except where noted)*	**2014**	**% of revenue**	2013	% of revenue	2012	% of revenue
Revenue	**343,556**		323,353		326,079	
Expenses						
Operating	**268,129**	**78.0**	242,768	75.1	217,326	66.6
General and administrative	**17,473**	**5.1**	19,553	6.0	15,199	4.7
Adjusted EBITDA	**57,954**	**16.9**	61,032	18.9	93,554	28.7
Depreciation and amortization	**58,621**	**17.1**	32,630	10.1	30,758	9.4
Loss on asset decommissioning	**28,752**	**8.4**	–		–	
Operating earnings (loss)	**(29,419)**	**(8.6)**	28,402	8.8	62,796	19.3

Revenue from Completion and Production Services was $344 million in 2014, 6% higher than 2013, mainly because of higher average pricing for our well servicing product line due to product mix, partially offset by lower activity.

Operating earnings were negative $29 million in 2014, $58 million lower than 2013 because of a loss on asset decommissioning of $29 million and a loss on disposal of our U.S. coil tubing assets of $14 million and higher depreciation due to the change to straight-line depreciation.

Operating expenses were 78% of revenue, 3% higher than 2013, mainly because of product mix.

Depreciation excluding the loss on disposal of our coil tubing assets in the year was 37% more than 2013 because of changes in the estimated remaining useful life of our capital equipment, a change to straight-line depreciation, and depreciation associated with new equipment.

Capital expenditures were $24 million:

- $8 million – to expand our asset base
- $16 million – on maintenance and infrastructure.

Revenue from Precision Well Servicing in Canada was $189 million, in line with 2013, as higher average hourly pricing offset lower operating activity.

Revenue from our U.S. based completion and production businesses was US$57 million, 12% higher than 2013. The increase was the result of continued growth in activity. During the fourth quarter, we sold our U.S. based coil tubing assets.

Revenue from Precision Rentals was $42 million, 6% lower than 2013. Lower average rates from product mix were partially offset by higher activity. In 2013 Precision Rentals expanded from three major product lines (surface equipment, wellsite accommodations, and small flow wastewater treatment systems) to also provide power generation equipment, solids control equipment, and WaterDams (containment rings).

Revenue from Precision Camp Services was $37 million, 13% higher than 2013, because of an increase in base camp activity days. Precision operated four base camps and 50 drill camps during 2014.

Operating Results

Year ended December 31	2014	% increase/ (decrease)	2013	% increase/ (decrease)	2012	% increase/ (decrease)
Number of service rigs (end of year)	**177**	**(20.3)**	222	3.7	214	3.4
Service rig operating hours (1)	**273,194**	**(3.7)**	283,576	(3.8)	294,681	(7.2)
Revenue per operating hour (1)	**907**	**6.2**	854	14.8	744	8.1

(1) 2012 comparatives have been changed to include U.S. based service rig activity.

In 2014, we decommissioned 35 service rigs and two snubbing units and moved one service rig from Canada to the U.S. In addition, we moved two snubbing units from the U.S. to Canada and sold our eight U.S. based coil tubing units. We also added rental equipment to our North American footprint.

Service rig rates increased 6% as we provided higher-end services and crew wage increases were passed through to customers. Our service rig hours decreased 4% although higher rig rates and our U.S. expansion in well service rigs partially offset the impact of market activity declines.

CORPORATE AND OTHER

Financial Results

Adjusted EBITDA is an additional GAAP measure. See page 5 for more information.

Year ended December 31 *(thousands of dollars, except where noted)*	2014	2013	2012
Revenue	**–**	–	–
Expenses			
Operating	**–**	–	–
General and administrative	**79,074**	75,863	72,043
Adjusted EBITDA	**(79,074)**	(75,863)	(72,043)
Depreciation and amortization	**8,583**	8,312	4,774
Operating earnings (loss)	**(87,657)**	(84,175)	(76,817)

Our corporate 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 $79 million in 2014, $3 million more than 2013. The increase mainly related to costs resulting from international growth and the foreign exchange translation on U.S. dollar based costs. In 2014, corporate general and administrative costs were 3.4% of consolidated revenue compared to 3.7% in 2013 and 3.5% in 2012.

QUARTERLY FINANCIAL RESULTS

Adjusted EBITDA and funds provided by operations are additional GAAP measures. See page 5 for more information.

2014 – Quarters Ended *(thousands of dollars, except per share amounts)*	**March 31**	**June 30**	**September 30**	**December 31**
Revenue	**672,249**	**475,174**	**584,590**	**618,525**
Adjusted EBITDA	**237,274**	**129,695**	**199,390**	**234,011**
Net earnings (loss)	**101,557**	**(7,174)**	**52,813**	**(114,044)**
Per basic share	**0.35**	**(0.02)**	**0.18**	**(0.39)**
Per diluted share	**0.35**	**(0.02)**	**0.18**	**(0.39)**
Funds provided by operations	**231,393**	**97,805**	**196,217**	**172,059**
Cash provided by operations	**170,127**	**228,412**	**146,733**	**134,887**
Dividends per share	**0.06**	**0.06**	**0.06**	**0.07**

2013 – Quarters Ended *(thousands of dollars, except per share amounts)*	March 31	June 30	September 30	December 31
Revenue	595,720	378,898	488,450	566,909
Adjusted EBITDA	215,181	88,248	137,660	197,744
Net earnings	93,313	473	29,443	67,921
Per basic share	0.34	0.00	0.11	0.24
Per diluted share	0.33	0.00	0.10	0.24
Funds provided by operations	144,682	33,791	127,684	155,816
Cash provided by operations	62,948	182,345	88,341	94,452
Dividends per share	0.05	0.05	0.05	0.06

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. Thus, 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 2014 Compared to Fourth Quarter 2013

In the fourth quarter, we recorded a net loss of $114 million, or a net loss per diluted share of $0.39, compared to net earnings of $68 million, or $0.24 per diluted share, in the fourth quarter of 2013. During the quarter, we recorded a before-tax asset decommissioning charge and goodwill write down totaling $222 million that reduced net earnings by $182 million and net earnings per diluted share by $0.62. Effective January 1, 2014, we began calculating depreciation on our drilling rigs and service rigs on a straight-line basis which reduced net earnings for the fourth quarter by approximately $2 million, or $0.01 per diluted share, from what net earnings would have been using the previous depreciation method.

Revenue in the fourth quarter was $619 million, 9% higher than the fourth quarter of 2013, mainly due to higher drilling activity in the U.S., Canada and internationally along with higher average dayrates in the U.S. and internationally. Revenue from our Contract Drilling Services and Completion and Production Services segments both increased over the comparative prior year period by 10% and 5%, respectively.

Adjusted EBITDA in the fourth quarter was $234 million or 18% higher than the fourth quarter of 2013. Our activity for the quarter, as measured by drilling rig utilization days, increased 4% in Canada, 12% in the U.S. and 2% internationally, compared to the fourth quarter of 2013.

Our Adjusted EBITDA margin was 38% in the fourth quarter of 2014, compared to 35% in the fourth quarter of 2013. The increase in Adjusted EBITDA as a percentage of revenue was mainly due to increases in activity and profitability in our Contract Drilling Services segment and lower costs associated with incentive compensation that is tied to the price of our common shares, which resulted in a recovery of $10 million in the fourth quarter.

As a percentage of revenue, operating costs were 58% in the fourth quarter of 2014 and 59% in the same quarter of 2013. Our portfolio of term customer contracts, a highly variable operating cost structure, and economies achieved through vertical integration of the supply chain all help us manage our Adjusted EBITDA margin.

Contract Drilling Services

Revenue from Contract Drilling Services was $532 million in the fourth quarter, 10% higher than the fourth quarter of 2013, while Adjusted EBITDA increased by 16% to $232 million. The increases were mainly due to higher drilling rig utilization days in our U.S. and Canadian contract drilling businesses and higher average day rates in our U.S. and international drilling businesses.

Operating earnings for our international business improved as average day rates increased 27% while drilling rig utilization days for the quarter were 2% higher than the prior year comparative period. The average day rate was up as we realized a higher percentage of our fleet utilization from our operations in the Middle East.

Drilling rig utilization days in Canada (drilling days plus move days) were 8,550 during the fourth quarter of 2014, an increase of 4% compared to 2013 primarily resulting from the delivery of new-build and upgraded rigs over the last 12 months. Drilling rig utilization days in the U.S. were 9,214, 12% higher than the same quarter of 2013. The increase in U.S. activity was primarily due to strong demand for Tier 1 assets, which has led to market share gains over the past year due to our high percentage of Tier 1 assets. The majority of our North American activity came from oil and liquids-rich natural gas plays.

The majority of activity was in oil and liquids-rich natural gas related plays. We averaged a total of 205 rigs working in the quarter (93 in Canada, 100 in the U.S., and 12 internationally), compared to an average of 190 rigs in the fourth quarter of 2013.

Compared to the same quarter in 2013, drilling rig revenue per utilization day was up 1% in the U.S. and down 1% in Canada. The increase in average dayrates for the U.S. was driven by improved rig mix and higher rates for well-to-well and re-contracted rigs, partially offset by lower turnkey revenue. In Canada, the dayrate decrease was the result of competitive pricing in some rig segments, partially offset by new-build and upgraded rigs entering the fleet compared to the fourth quarter of 2013.

In Canada, 42% of utilization days in the quarter were generated from rigs under term contract, compared to 44% in the fourth quarter of 2013. In the U.S., 69% of utilization days were generated from rigs under term contract as compared to 62% in the fourth quarter of 2013. At the end of the quarter, we had 48 drilling rigs under contract in Canada, 63 in the U.S., and 12 internationally.

Operating costs were 55% of revenue for the fourth quarter, compared to 56% of revenue in the fourth quarter of 2013. On a per utilization day basis, operating costs for the drilling rig division in Canada were higher than the prior year primarily because of higher crew wages and labour burden. In the U.S., operating costs for the quarter on a per day basis were down from the fourth quarter of 2013, primarily as a result of a decrease in turnkey activity and size of turnkey jobs.

During the fourth quarter, the Contract Drilling Services segment recognized a loss of $98 million related to the decommissioning of drilling rigs. Depreciation expense in the quarter was 29% higher than the fourth quarter of 2013 due to changes in the estimated remaining useful life of our capital equipment, a change to straight-line depreciation, and depreciation expense associated with new equipment.

Completion and Production Services

Revenue from Completion and Production Services was up $4 million or 5% from the fourth quarter of 2013, as a greater proportion of higher end services were provided in the current quarter compared with the prior year.

Our North America service rig activity in the fourth quarter was 2% lower than the fourth quarter of 2013 (70,350 operating hours compared to 72,013 hours in the fourth quarter of 2013). Approximately 86% of the fourth quarter Canadian service rig activity was oil related. In the fourth quarter of 2014, we sold our U.S. coil tubing assets for total cash of $44 million incurring a loss on disposal of $14 million.

Average service rig revenue per operating hour in the fourth quarter was $906, $28 higher than the fourth quarter of 2013. The increase was primarily the result of rig mix as we provided a greater proportion of higher end services in the current year, partially offset by the sale of our U.S. coil tubing assets that generally received a higher rate per hour.

Adjusted EBITDA was $16 million, in line with the fourth quarter of 2013, as higher average rates were offset by a decline in activity.

Operating costs as a percentage of revenue increased to 78% in the fourth quarter of 2014, from 76% in the fourth quarter of 2013. In 2014, operating costs per service rig operating hour were higher than the fourth quarter of 2013, mainly because of one-time costs associated with the disposition of our U.S. coil tubing operations.

During the fourth quarter, the Completion and Production Services segment recognized a loss of $29 million related to the decommissioning of 35 well servicing and two snubbing units, along with certain spare equipment. Depreciation, excluding the $14 million loss on disposal of our U.S. coil tubing assets in the fourth quarter of 2014, was 32% more than the fourth quarter of 2013 because of changes in the estimated remaining useful life of our capital equipment, a change to straight-line depreciation, and depreciation associated with new equipment.

Corporate and Other

General and administrative expenses for the quarter were $26 million, $8 million lower than the fourth quarter of 2013. The decrease was due to lower costs associated with incentive compensation tied to the price of our common shares, partially offset by increased costs associated with expansion efforts.

Net finance charges were $30 million in the fourth quarter, $7 million higher than the fourth quarter of 2013, mainly because of the issuance of US$400 million of 5.25% Senior Notes on June 3, 2014 and the effect of the weakening Canadian dollar on our U.S. dollar denominated interest expense.

Capital expenditures were $338 million in the fourth quarter compared to $123 million in the fourth quarter of 2013. Spending in the fourth quarter of 2014 included:

- $236 million to expand our asset base
- $42 million to upgrade existing equipment
- $60 million on maintenance and infrastructure.

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 growth 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. And we 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

In June 2014, we issued US$400 million of 5.25% Senior Notes due in 2024 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 revolving credit facility and certain other indebtedness. We expect to use the net proceeds from this placement for general corporate purposes, including building new drilling rigs.

In addition, we amended our credit agreement governing our revolving credit facility to, among other things, voluntarily reduce the size of the revolving credit facility from US$850 million to US$650 million and extend the maturity to June 3, 2019.

As at December 31, 2014, our liquidity was supported by a cash balance of $491 million, a senior secured credit facility of US$650 million, operating facilities totalling approximately $55 million, and a US$25 million secured facility for letters of credit. Our ability to draw on our senior secured credit facility is governed by financial covenants including a total debt to EBITDA ratio. See our covenant discussion on page 38.

At December 31, 2014, including letters of credit, we had approximately $1,942 million (2013 – $1,394 million) outstanding under our secured and unsecured credit facilities and $30 million in unamortized debt issue costs. Our secured facility includes financial ratio covenants that are tested quarterly.

Key Ratios

We ended 2014 with a long-term debt to long-term debt plus equity ratio of 0.43, and a ratio of long-term debt to cash provided by operations of 2.72.

We ended 2014 with a long-term debt to long-term debt plus equity ratio of 0.43 (compared to 0.36 in 2013) and a ratio of long-term debt to cash provided by operations of 2.72 (compared to 3.09 in 2013).

The current blended cash interest cost of our debt is about 6.2%.

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 that we generate compared to our peers.

Financial Position and Ratios

(thousands of dollars, except ratios)	**December 31, 2014**	December 31, 2013	December 31, 2012
Working capital	**653,630**	305,783	278,021
Working capital ratio	**2.3**	1.9	1.7
Long-term debt	**1,852,186**	1,323,268	1,218,796
Total long-term financial liabilities	**1,881,275**	1,355,535	1,245,290
Total assets	**5,308,996**	4,579,123	4,300,263
Enterprise value (see table on page 39)	**3,265,865**	3,919,763	3,213,406
Long-term debt to long-term debt plus equity	**0.43**	0.36	0.36
Long-term debt to cash provided by operations	**2.72**	3.09	1.92
Long-term debt to adjusted EBITDA	**2.31**	2.07	1.82
Long-term debt to enterprise value	**0.57**	0.34	0.38

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.

	Moody's	**S&P**
Corporate credit rating	Ba1	BB+
Senior secured bank credit facility rating	Not rated	Not rated
Senior unsecured credit rating	Ba1	BB

CAPITAL MANAGEMENT

To maintain and grow our business, we invest in both growth and sustaining capital. We base expansion 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 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 U.S. Operations

To December 31, 2014, we designated our US$650 million 6.625% Senior Notes due in 2020 and our US$400 million 6.5% Senior Notes due in 2021 as a hedge of our investment in our U.S. operations. Effective January 1, 2015, we have included the US$400 million of 5.25% Senior Notes due in 2024 as a designated hedge of our investment in our U.S. operations. We recognize the effective amount of this hedge (net of tax) in other comprehensive income. We recognize ineffective amounts (if any) in earnings.

SOURCES AND USES OF CASH

At December 31 *(thousands of dollars)*	**2014**	2013	2012
Cash from operations	**680,159**	428,086	635,286
Cash used in investing	**(629,987)**	(526,535)	(930,121)
Surplus (deficit)	**50,172**	(98,449)	(294,835)
Cash from (used in) financing	**329,704**	21,517	(14,899)
Effect of exchange rate changes on cash	**30,999**	4,770	(4,974)
Net cash generated (used)	**410,875**	(72,162)	(314,708)

Cash from Operations

In 2014, we generated cash from operations of $680 million compared to $428 million in 2013. The increase is primarily the result of better operating results and lower income taxes paid in 2014.

Investing Activity

We made growth and sustaining capital investments of $857 million in 2014:

- $571 million in expansion capital
- $137 million in upgrade capital
- $149 million in maintenance and infrastructure capital.

The $857 million in capital expenditures in 2014 was split between segments as follows:

- $822 million in Contract Drilling Services
- $24 million in Completion and Production Services
- $11 million in Corporate and Other.

Expansion and upgrade capital includes the cost of long-lead items purchased for our capital inventory, such as 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 $102 million in 2014.

Financing Activity

In June 2014, we issued US$400 million of 5.25% Senior Notes due in 2024 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 revolving credit facility and certain other indebtedness. We expect to use the net proceeds from this placement for general corporate purposes, including building new drilling rigs.

In addition, we amended our credit agreement governing our revolving credit facility to, among other things, voluntarily reduce the size of the revolving credit facility from US$850 million to US$650 million and extended the maturity to June 3, 2019. The US$250 million accordion feature remains and allows the facility to be increased to US$900 million with additional lender commitments. As at March 6, 2015, our revolving credit facility remains undrawn except for US$26 million in outstanding letters of credit.

As at March 6, 2015 our operating facility of $40 million with Royal Bank of Canada remained undrawn except for $22 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 $25 million with HSBC Canada had US$12 million available.

Debt

As at December 31, 2014, we had a cash balance of $491 million and available capacity under our secured facilities of $781 million.

As at December 31, 2014, we had $1,882 million outstanding under our senior unsecured notes.

Amount	Availability	Used for	Maturity
Senior facility (secured)			
US$650 million (extendible, revolving term credit facility with US$250 million accordion feature)	Undrawn, except US$26 million in outstanding letters of credit	General corporate purposes	June 3, 2019
Operating facilities (secured)			
$40 million	Undrawn, except $20 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$25 million	Undrawn, except US$8 million in outstanding letters of credit	Letters of credit	
Senior notes (unsecured)			
$200 million	Fully drawn	Debt repayment	March 15, 2019
US$650 million	Fully drawn	Debt repayment and general corporate purposes	November 15, 2020
US$400 million	Fully drawn	Capital expenditures and general corporate purposes	December 15, 2021
US$400 million	Fully drawn	Capital expenditures and general corporate purposes	November 15, 2024

Covenants

Senior Facility

The revolving term credit facility requires that we comply with certain financial covenants including leverage ratios of consolidated senior debt to earnings before interest, taxes, depreciation and amortization as defined in the agreement (EBITDA) of less than 3:1 and consolidated total debt to EBITDA of less than 4:1 for the most recent four consecutive fiscal quarters; and an interest to EBITDA coverage ratio, calculated as EBITDA to interest expense, of greater than 2.75:1 for the most recent four consecutive fiscal quarters. For purposes of calculating the leverage ratios, consolidated total debt includes all outstanding secured and unsecured indebtedness, while consolidated senior debt only includes secured indebtedness. EBITDA as defined in our revolving term facility agreement differs from Adjusted EBITDA as defined under Additional GAAP Measures on page 5 by the exclusion of bad debt expense and certain foreign exchange amounts. As at December 31, 2014 our consolidated senior debt-to-EBITDA ratio was 0.1:1 while our consolidated total debt-to-EBITDA ratio was 2.4:1.

In addition, the revolving 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, 2014, we were in compliance with the covenants of the revolving credit facility.

Senior Notes

The senior notes require that we comply with certain financial covenants including an interest to EBITDA coverage ratio of greater than 2.5:1 for the most recent four consecutive fiscal quarters.

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 stock; create liens; make restricted payments (including the payment of dividends); 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. At December 31, 2014 we were in compliance with the covenants of the senior notes.

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, 2014 *(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	–	–	200,000	1,682,145	1,882,145
Interest on long-term debt	117,482	234,964	224,672	221,546	798,664
Purchase of property, plant and equipment (1)	189,656	–	228,679	–	418,335
Operating leases	19,143	27,456	17,457	11,005	75,061
Contractual incentive plans (2)	12,851	29,794	–	–	42,645
Total	339,132	292,214	670,808	1,914,696	3,216,850

(1) The balance due within one year relates to the costs committed to complete the 17 rigs scheduled for delivery in 2015. The balance due in four to five years relates to the costs of rig equipment with a flexible delivery schedule wherein we can take delivery of the equipment between 2016 and 2019 at our discretion.

(2) 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 a five day weighted average share price of $7.14 at December 31, 2014.

CAPITAL STRUCTURE

	March 6, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Shares outstanding	292,819,921	292,819,921	291,979,671	276,475,770
Deferred shares outstanding	226,010	226,010	221,112	335,946
Warrants outstanding	–	–	–	15,000,000
Share options outstanding	11,028,021	8,560,088	8,074,694	6,413,777

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.

Warrants

In December 2013, all of our 15,000,000 outstanding warrants were exercised providing proceeds of $48 million. The warrants were issued on April 22, 2009, under a private placement. Each warrant was exercisable for one common share at a price of $3.22 per common share for five years from the date of issue.

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, 2014**	December 31, 2013	December 31, 2012
Shares outstanding	**292,819,921**	291,979,671	276,475,770
Year-end share price on the TSX	**7.06**	9.94	8.22
Shares at market	**2,067,309**	2,902,278	2,272,631
Long-term debt	**1,852,186**	1,323,268	1,218,796
Less working capital	**(653,630)**	(305,783)	(278,021)
Enterprise value	**3,265,865**	3,919,763	3,213,406

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.

You'll find all of our significant accounting policies 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 periodically reviewed for impairment 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 cash generating unit (**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 determining 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 estimates are reasonable and consistent with current conditions, internal planning and expected future operations, such estimations are subject to significant uncertainty and judgment.

We performed an impairment test on the well servicing and water treatment CGUs at December 31, 2014, as described in Note 6 to the Consolidated Financial Statements. These CGUs were found to be impaired and the goodwill associated with these CGUs was expensed in 2014.

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 expense 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.

On August 7, 2014, the Ontario Court of Appeal ruled in favour of Precision's wholly owned subsidiary, Inter-Leasing, Inc., reversing a decision by the Ontario Superior Court of Justice in June 2013, regarding the reassessment of Ontario income tax for Inter-Leasing, Inc.'s 2001 through 2004 taxation years. The Ontario Minister of Revenue made an application to the Supreme Court of Canada seeking leave to appeal this decision. On March 5, 2015, the Supreme Court of Canada denied the Ontario Minister of Revenue's application for leave to appeal. The decision by the Supreme Court of Canada brought the appeal process to an end and Precision has reflected the $55 million paid to the Ontario tax authorities in 2008, related to the reassessed taxation years, as a current receivable. It is expected that this amount plus interest and costs will be received from the Ontario Minister of Revenue in 2015.

ACCOUNTING POLICIES ADOPTED JANUARY 1, 2014

Following are accounting policies Precision adopted with an initial application date of January 1, 2014:

IAS 32, Financial Instruments: Presentation

On January 1, 2014, we implemented certain amendments to IAS 32 that require us to provide clarification on the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

IAS 36, Impairment of Assets

On January 1, 2014, we implemented certain amendments to IAS 36 that require that we disclose, if appropriate, the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal or value-in-use of the asset, when an impairment loss is recognized or when an impairment loss is subsequently reversed.

IFRIC 21, Levies

On January 1, 2014, we implemented IFRIC 21 that provides an interpretation on IAS 37, Provisions, Contingent Liabilities and Contingent Assets, with respect to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation clarifies that the obligating event is the activity described in the relevant legislation that triggers the payment of the levy.

ACCOUNTING POLICIES NOT YET ADOPTED

IFRS 9, Financial Instruments

In November 2009, the IASB issued IFRS 9, replacing IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 will be issued in three phases. The first phase, which has already been issued, addresses the accounting for financial assets and financial liabilities. The second phase will address impairment of financial instruments, while the third phase will address hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple category and measurement models in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39.

Requirements for financial liabilities were added to IFRS 9 in October 2010. Although the classification criteria for financial liabilities will not change under IFRS 9, the fair value option may require different accounting for changes to the fair value of a financial liability resulting from changes to an entity's own credit risk.

In December 2013, new hedge accounting requirements were incorporated into IFRS 9 that increase the scope of items that can qualify as a hedged item and change the requirements of hedge effectiveness testing that must be met to use hedge accounting.

In July 2014, the IASB issued final amendments to IFRS 9, replacing earlier versions of IFRS 9. These amendments to IFRS 9 introduce a single, forward-looking 'expected loss' impairment model for financial assets that will require more timely recognition of expected credit losses, and a fair value through other comprehensive income category for financial assets that are debt instruments.

The amendments to IFRS 9 are effective for annual periods beginning on or after January 1, 2018 and are available for earlier adoption. We do not expect that the implementation of IFRS 9 will have a material effect on the financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 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. The standard provides a principles 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, 2017, with earlier application permitted. We do not expect that the implementation of IFRS 15 will have a material effect on the financial statements.

IFRS 11, Joint Arrangements

In May 2014, the IASB issued amendments to IFRS 11 to address the accounting for acquisitions of interests in joint operations. The amendments address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11, as amended, now requires that such transactions be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, Business Combinations. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. We do not expect that these amendments will have an impact on the financial statements.

IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets

In May 2014, the IASB issued amendments to IAS 16 and IAS 38 to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. We do not expect that these amendments will have an impact on the financial statements.

Risks in our Business

Our key business risks are summarized below. You'll find more information and other risks in business in our AIF, which you can find on our website (**www.precisiondrilling.com**).

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. The volatility of crude oil and natural gas prices accounts for much of the cyclical nature of the energy services business.

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

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.

We try to manage this risk by keeping our cost structure as variable as we can while still being able to maintain the level of service our customers require.

Weather Patterns

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 results depend partly on how long the winter drilling season lasts.

Competition

The contract drilling business is highly competitive with numerous 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 each of 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 in suitable drilling rigs 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

Periods of high demand often lead to higher capital expenditures on drilling rigs and other oilfield services equipment. The number of drilling rigs competing for work in markets where we operate has increased as the industry adds new and upgraded rigs. We expect new or newer rigs to continue to enter markets where we operate. 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 served to intensify 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.

Technology

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.

Employees and Suppliers

Finding and Keeping Employees

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 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 as the industry adds more rigs, oilfield service companies expand, and new companies enter the business.

We continually monitor crew availability. To retain and attract quality staff, we focus on providing a safe and productive work environment, opportunity for advancement, and added wage security.

Relying on Suppliers

We source certain key rig components, raw materials, equipment and component parts from a variety of suppliers in Canada, the U.S. and internationally. We also outsource some or all construction services for drilling and service rigs, including new-build rigs, as part of our capital expenditure programs.

To manage this risk, we maintain relationships with several key suppliers and contractors and place advance orders for components that have long lead times. We also have an inventory of key components, materials, equipment and parts.

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.

Health, Safety and the Environment

We are subject to various environmental, health and safety laws, rules, legislation and guidelines, which can impose material liability, increase our costs, or 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 service 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.

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, emissions 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.

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 the 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.

The issue of energy and the environment has created intense public debate in Canada, the U.S. and around the world in recent years, and it is likely to continue to be a focus area for the foreseeable future, which 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; however, 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.

Financial

Dividends May be Variable

The actual cash flow available for the payment of dividends to shareholders is a function of numerous factors, including our financial performance, debt covenants and obligations, working capital requirements, capital expenditure requirements, tax obligations, the impact of interest rates or foreign exchange rates, the growth of the general economy, the price of crude oil and natural gas, weather and number of common shares outstanding. Dividends may be increased, reduced, or eliminated entirely depending on our operations and the performance of our assets.

We require sufficient cash flow to service and repay our debt. The market value of our common shares may deteriorate if we are unable to meet dividend expectations in the future, and that deterioration may be material.

Credit Market Conditions

The ability to make scheduled debt repayments, refinance debt obligations, or access financing depends on our financial condition and operating performance, which may be affected by prevailing economic and competitive conditions and certain financial, business and other factors beyond our control. Volatility in the credit markets can increase costs associated with debt instruments due to increased spreads over relevant interest rate benchmarks, or affect our ability to access those markets or the ability of third parties we wish to do business with. We may be unable to maintain sufficient cash flow from operating activities to allow us to pay the principal, premium, if any, and interest on our debt.

In addition, if there is continued or future volatility or uncertainty in the capital markets, access to financing may be uncertain, and this can have an adverse effect on the industry and our business, including future operating results. Our customers may curtail their drilling programs, which could result in reduced dayrates, lower demand for drilling rigs, well service rigs, directional drilling, turnkey jobs, and other wellsite services, or lower equipment utilization. In addition, certain customers may be unable to pay suppliers, including us, if they are unable to access the capital markets to fund their business operations.

Our Debt Facilities Contain Restrictive Covenants

Our revolving credit facility and each note indenture contain a number of covenants which, among other things, restrict us and some of our subsidiaries from conducting certain activities. In addition, we must satisfy and maintain certain financial ratio tests under the Secured Facility. Events beyond our control could affect our ability to meet these tests. If we breach any of the covenants, it could result in a default under the Secured Facility or any of the note indentures. If there is a default, the applicable lenders or note holders could decide to declare all amounts outstanding under the Secured Facility or any of the note indentures to be due and payable immediately, and terminate any commitments to extend further credit.

Access to Additional Financing

We will need sufficient cash flow 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 our revolving credit facility, our note indentures 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 secured 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. 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.

We regularly assess our credit policies and capital structure, and have enough liquidity to meet our needs. See page 34 for information about our liquidity.

Foreign Exchange

Our U.S. and international operations have revenues, 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 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 don't have a Canadian dollar functional currency into Canadian dollars. We translate assets and liabilities at exchange rates in effect at the balance sheet 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 for our international operations will be lower.
- *Transaction Exposure* – We have long-term debt denominated in U.S. dollars. We have designated our senior notes as a hedge against the net asset position of our U.S. operations. This debt is converted at the exchange rate in effect at the balance sheet 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; however, we occasionally purchase goods and supplies in U.S. dollars for our Canadian operations. However, the U.S. dollar denominated transactions and foreign exchange exposure would not typically have a material impact on our financial results.

Liabilities from Prior Reorganizations

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

International Operations

We conduct some of our business in Mexico and the Middle East. Our growth plans contemplate establishing operations in other foreign countries, 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 among others:

- 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 foreign-based companies
- compliance with anti-corruption and anti-bribery legislation in Canada, the U.S. and other countries
- 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.

Evaluation of Controls and Procedures

Internal Control over Financial Reporting

Precision maintains 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 Precision's 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 at December 31, 2014, management has concluded that Precision's internal control over financial reporting is effective.

The effectiveness of internal control over financial reporting as of December 31, 2014 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 Precision's 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

Precision maintains disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in Precision's interim and annual filings is reviewed, recognized and disclosed accurately and in the appropriate time period.

An evaluation, as of December 31, 2014, 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, was carried out by management, including the CEO and the CFO. 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 that Precision files or submits 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 Precision's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that Precision's 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.

Corporate Governance

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

We have a strong Board made up of directors with a history of achievement and an effective mix of skills, knowledge, and business experience. The directors oversee the conduct of our business, provide oversight, and support our future growth. They also monitor regulatory developments in Canada and the U.S. to keep abreast of developments in governance and enhance transparency of our corporate disclosure.

You can find more information about our approach to governance in our management information circular, available on our website.

EXHIBIT 99.3

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, 2014 to December 31, 2013.

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 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, 2014. Also management determined that there were no material weaknesses in the Corporation's internal control over financial reporting as of December 31, 2014.

KPMG LLP (**KPMG**), an independent firm of Chartered 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.

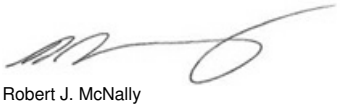
KPMG completed an audit of the design and effectiveness of the Corporation's internal control over financial reporting as of December 31, 2014, as stated in its report included herein, and expressed an unqualified opinion on the design and effectiveness of internal control over financial reporting as of December 31, 2014.

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.



Kevin A. Neveu
President and Chief Executive Officer
Precision Drilling Corporation

March 6, 2015



Robert J. McNally
Executive Vice President and Chief Financial Officer
Precision Drilling Corporation

March 6, 2015

Independent Auditors' Report of Registered Public Accounting Firm

To the Shareholders and Board of Directors of Precision Drilling Corporation

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, 2014 and December 31, 2013, the consolidated statements of earnings, comprehensive income, changes in equity and cash flow for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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.

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). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 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 basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2014 and December 31, 2013, 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.

Other Matter

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, 2014, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013), and our report dated March 6, 2015 expressed an unqualified opinion on the effectiveness of the Corporation's internal control over financial reporting.

Chartered Accountants

March 6, 2015
Calgary, Canada

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Precision Drilling Corporation

We have audited Precision Drilling Corporation's (the "**Corporation**") internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 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.

An entity'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. An entity'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 entity; (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 entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity'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.

In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013).

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of the Corporation as of December 31, 2014 and December 31, 2013, and the related consolidated statements of earnings, comprehensive income, shareholders' equity and cash flow for the years then ended, and our report dated March 6, 2015 expressed an unqualified opinion on those consolidated financial statements.

Chartered Accountants

March 6, 2015
Calgary, Canada

Consolidated Statements of Financial Position

(Stated in thousands of Canadian dollars)		**December 31, 2014**	December 31, 2013
ASSETS			
Current assets:			
Cash		**$ 491,481**	$ 80,606
Accounts receivable	*(Note 22)*	**598,063**	549,697
Income tax recoverable	*(Note 23)*	**55,138**	–
Inventory		**9,170**	12,378
Total current assets		**1,153,852**	642,681
Non-current assets:			
Income tax recoverable		**3,297**	58,435
Property, plant and equipment	*(Note 4)*	**3,928,826**	3,561,734
Intangibles	*(Note 5)*	**3,302**	3,917
Goodwill	*(Note 6)*	**219,719**	312,356
Total non-current assets		**4,155,144**	3,936,442
Total assets		**$ 5,308,996**	$ 4,579,123
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	*(Note 22)*	**$ 493,038**	$ 332,838
Income tax payable		**7,184**	4,060
Total current liabilities		**500,222**	336,898
Non-current liabilities:			
Share based compensation	*(Note 8)*	**14,252**	14,431
Provisions and other	*(Note 9)*	**14,837**	17,836
Long-term debt	*(Note 10)*	**1,852,186**	1,323,268
Deferred tax liabilities	*(Note 11)*	**486,133**	487,347
Total non-current liabilities		**2,367,408**	1,842,882
Shareholders' equity:			
Shareholders' capital	*(Note 12)*	**2,315,539**	2,305,227
Contributed surplus		**31,109**	29,175
Retained earnings		**48,426**	88,416
Accumulated other comprehensive income (loss)	*(Note 13)*	**46,292**	(23,475)
Total shareholders' equity		**2,441,366**	2,399,343
Total liabilities and shareholders' equity		**$ 5,308,996**	$ 4,579,123

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors:



Allen R. Hagerman
Director



Robert L. Phillips
Director

Consolidated Statements of Earnings

Years ended December 31, *(Stated in thousands of Canadian dollars, except per share amounts)*		**2014**	2013
Revenue		**$ 2,350,538**	$ 2,029,977
Expenses:			
Operating	*(Note 22)*	**1,405,827**	1,248,637
General and administrative	*(Note 22)*	**144,341**	142,507
Earnings before income taxes, finance charges, foreign exchange, impairment of goodwill, loss on asset decommissioning and depreciation and amortization		**800,370**	638,833
Depreciation and amortization		**448,669**	333,159
Loss on asset decommissioning	*(Note 4)*	**126,699**	–
Operating earnings		**225,002**	305,674
Impairment of goodwill		**95,170**	–
Foreign exchange		**(946)**	(9,112)
Finances charges	*(Note 14)*	**109,701**	93,248
Earnings before tax		**21,077**	221,538
Income taxes:	*(Note 11)*		
Current		**10,172**	45,017
Deferred		**(22,247)**	(14,629)
		(12,075)	30,388
Net earnings		**$ 33,152**	$ 191,150
Earnings per share:	*(Note 18)*		
Basic		**$ 0.11**	$ 0.69
Diluted		**$ 0.11**	$ 0.66

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended December 31, *(Stated in thousands of Canadian dollars)*	**2014**	2013
Net earnings	**$ 33,152**	$ 191,150
Unrealized gain on translation of assets and liabilities of operations denominated in foreign currency	**171,092**	109,195
Foreign exchange loss on net investment hedge with U.S. denominated debt, net of tax	**(101,325)**	(72,135)
Comprehensive income	**$ 102,919**	$ 228,210

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

Years ended December 31, *(Stated in thousands of Canadian dollars)*		**2014**	2013
Cash provided by (used in):			
Operations:			
Net earnings		**$ 33,152**	$ 191,150
Adjustments for:			
Long-term compensation plans		**16,197**	20,708
Depreciation and amortization		**448,669**	333,159
Loss on asset decommissioning		**126,699**	–
Impairment of goodwill		**95,170**	–
Foreign exchange		**(3,971)**	(9,216)
Finance charges		**109,701**	93,248
Income taxes		**(12,075)**	30,388
Other		**(6,033)**	(3,754)
Income taxes paid		**(15,601)**	(109,326)
Income taxes recovered		**8,463**	3,761
Interest paid		**(103,816)**	(89,156)
Interest received		**919**	1,011
Funds provided by operations		**697,474**	461,973
Changes in non-cash working capital balances	*(Note 22)*	**(17,315)**	(33,887)
		680,159	428,086
Investments:			
Purchase of property, plant and equipment	*(Note 4)*	**(856,690)**	(535,804)
Proceeds on sale of property, plant and equipment		**101,826**	13,372
Changes in income tax recoverable		**55,138**	6,144
Changes in non-cash working capital balances	*(Note 22)*	**69,739**	(10,247)
		(629,987)	(526,535)
Financing:			
Repayment of long-term debt		**(30,670)**	–
Debt issue costs		**(10,166)**	(883)
Dividends paid		**(73,142)**	(58,113)
Increase in long-term debt		**436,600**	29,781
Issuance of common shares on the exercise of options		**7,082**	2,432
Issuance of common shares on the exercise of warrants		**–**	48,300
		329,704	21,517
Effect of exchange rate changes on cash and cash equivalents		**30,999**	4,770
Increase (decrease) in cash and cash equivalents		**410,875**	(72,162)
Cash and cash equivalents, beginning of year		**80,606**	152,768
Cash and cash equivalents, end of year		**$ 491,481**	$ 80,606

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

(Stated in thousands of Canadian dollars)		Shareholders' capital	Contributed surplus	Accumulated other comprehensive income (loss) *(Note 13)*	Retained earnings	Total equity
Balance at January 1, 2014		$ 2,305,227	$ 29,175	$ (23,475)	$ 88,416	$ 2,399,343
Net earnings for the period		–	–	–	33,152	33,152
Other comprehensive income for the period		–	–	69,767	–	69,767
Dividends		–	–	–	(73,142)	(73,142)
Share options exercised	*(Note 12)*	10,312	(3,230)	–	–	7,082
Share based compensation expense	*(Note 8)*	–	5,164	–	–	5,164
Balance at December 31, 2014		**$ 2,315,539**	**$ 31,109**	**$ 46,292**	**$ 48,426**	**$ 2,441,366**

(Stated in thousands of Canadian dollars)		Shareholders' capital	Contributed surplus	Accumulated other comprehensive loss *(Note 13)*	Retained earnings (deficit)	Total equity
Balance at January 1, 2013		$ 2,251,982	$ 24,474	$ (60,535)	$ (44,621)	$ 2,171,300
Net earnings for the period		–	–	–	191,150	191,150
Other comprehensive income for the period		–	–	37,060	–	37,060
Dividends		–	–	–	(58,113)	(58,113)
Share options exercised	*(Note 12)*	3,707	(1,275)	–	–	2,432
Shares issued on redemption of non-management directors' DSUs		1,238	(1,031)	–	–	207
Warrants exercised		48,300	–	–	–	48,300
Share based compensation expense	*(Note 8)*	–	7,007	–	–	7,007
Balance at December 31, 2013		$ 2,305,227	$ 29,175	$ (23,475)	$ 88,416	$ 2,399,343

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
These 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 6, 2015.

(b) Basis of Measurement
The consolidated financial statements have been prepared using the historical cost basis except as detailed in the Corporation's accounting policies in Note 3 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. Significant estimates and judgments used in the preparation of the financial statements are described in Note 3(r) and (s).

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, 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 taken into account. 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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in the statements of earnings.

The estimated useful lives, residual values and methods or 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 it increases the future economic benefits of the specific asset to which it relates.

Amortization is recognized in profit and loss using the straight-line method based over the estimated useful lives of the respective assets as follows:

Customer relationships	1 to 5 years
Patents	10 years
Brand	1 to 5 years

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.

If the fair value of the identifiable net assets acquired exceeds the fair value of the consideration, Precision reassesses whether it has correctly identified and measured the assets acquired and liabilities assumed. If that excess remains after reassessment, Precision recognizes the resulting gain in profit or loss on the acquisition date.

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 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. For goodwill and other intangible assets that have indefinite lives or that are not yet available for use, an impairment test is completed at the same time each year.

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 or CGU). 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 a 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.

(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 accumulated 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 balance sheet 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 Assets
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 balance sheet 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 balance sheet 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 Judgments

(i) Depreciation and Amortization
Precision's property, plant and equipment and its 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 Precision's 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 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.

(ii) 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 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.

(s) Critical Accounting Assumptions and Estimates

Impairment of Long-Lived Assets
Long-lived assets, which include property, plant and equipment, intangibles and goodwill, comprise the majority of Precision's assets. The carrying value of these assets is periodically reviewed for impairment or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For property, plant and equipment, this requires Precision 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 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 determining 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. Precision 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 estimates are reasonable and consistent with current conditions, internal planning and expected future operations, such estimations are subject to significant uncertainty and judgment.

(t) Accounting Policies Adopted January 1, 2014

The Corporation adopted the following new and revised accounting standards, including any consequential amendments. Changes in accounting policies adopted by the Corporation were made in accordance with the applicable transitional provisions as provided in those standards and amendments.

The adoption of these standards on January 1, 2014 had no impact on the amounts recorded in the Corporation's financial statements.

(i) IAS 32, Financial Instruments: Presentation

On January 1, 2014, the Corporation implemented certain amendments to IAS 32 which require the Corporation to provide clarification on the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

(ii) IAS 36, Impairment of Assets

On January 1, 2014, the Corporation implemented certain amendments to IAS 36 which require that the Corporation disclose, if appropriate, the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal or value-in-use of the asset, when an impairment loss is recognized or when an impairment loss is subsequently reversed.

(iii) IFRIC 21, Levies

On January 1, 2014, the Corporation implemented IFRIC 21 which provides an interpretation on IAS 37, Provisions, Contingent Liabilities and Contingent Assets, with respect to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation clarifies that the obligating event is the activity described in the relevant legislation that triggers the payment of the levy.

(u) Accounting Standards, Interpretations and Amendments to Existing Standards not yet Effective

(i) IFRS 9, Financial Instruments

In November 2009, the IASB issued IFRS 9, replacing IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 will be issued in three phases. The first phase, which has already been issued, addresses the accounting for financial assets and financial liabilities. The second phase will address impairment of financial instruments, while the third phase will address hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple category and measurement models in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39.

Requirements for financial liabilities were added to IFRS 9 in October 2010. Although the classification criteria for financial liabilities will not change under IFRS 9, the fair value option may require different accounting for changes to the fair value of a financial liability resulting from changes to an entity's own credit risk.

In December 2013, new hedge accounting requirements were incorporated into IFRS 9 that increase the scope of items that can qualify as a hedged item and change the requirements of hedge effectiveness testing that must be met to use hedge accounting.

In July 2014, the IASB issued final amendments to IFRS 9, replacing earlier versions of IFRS 9. These amendments to IFRS 9 introduce a single, forward-looking 'expected loss' impairment model for financial assets that will require more timely recognition of expected credit losses, and a fair value through other comprehensive income category for financial assets that are debt instruments.

The amendments to IFRS 9 are effective for annual periods beginning on or after January 1, 2018 and are available for earlier adoption. The Corporation does not expect that the implementation of IFRS 9 will have a material effect on the financial statements.

(ii) IFRS 15, Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 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. The standard provides a principles 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, 2017, with earlier application is permitted. The Corporation does not expect that the implementation of IFRS 15 will have a material effect on the financial statements.

(iii) IFRS 11, Joint Arrangements
In May 2014, the IASB issued amendments to IFRS 11 to address the accounting for acquisitions of interests in joint operations. The amendments address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11, as amended, now requires that such transactions be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, Business Combinations. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Corporation does not expect that these amendments will have an impact on the financial statements.

(iv) IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets
In May 2014, the IASB issued amendments to IAS 16 and IAS 38 to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Corporation does not expect that these amendments will have an impact on the financial statements.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

	2014	2013
Cost	**$ 5,898,980**	$ 5,260,263
Accumulated depreciation	**(1,970,154)**	(1,698,529)
	$ 3,928,826	$ 3,561,734
Rig equipment	**$ 3,182,090**	$ 3,033,159
Rental equipment	**104,492**	108,453
Other equipment	**97,887**	78,670
Vehicles	**24,682**	42,993
Buildings	**89,539**	49,506
Assets under construction	**397,556**	219,433
Land	**32,580**	29,520
	$ 3,928,826	$ 3,561,734

Cost

	Rig Equipment	Rental Equipment	Other Equipment	Vehicles	Buildings	Assets Under Construction	Land	Total
Balance, December 31, 2012	$ 3,986,743	$ 152,351	$ 171,637	$ 63,196	$ 72,069	$ 133,791	$ 28,594	$ 4,608,381
Additions	143,252	6,346	1,651	3,588	–	380,788	179	535,804
Disposals	(52,659)	(1,126)	(2,971)	(5,324)	–	–	–	(62,080)
Reclassifications	270,615	10,508	14,141	4,900	825	(300,989)	–	–
Effect of foreign currency exchange differences	163,445	1,866	936	3,251	2,070	5,843	747	178,158
Balance, December 31, 2013	4,511,396	169,945	185,394	69,611	74,964	219,433	29,520	5,260,263
Additions	144,169	2,939	5,504	4,356	5,320	692,560	1,842	856,690
Disposals	(155,002)	(1,587)	(4,853)	(43,084)	(69)	–	–	(204,595)
Asset decommissioning	(286,898)	–	–	–	–	–	–	(286,898)
Reclassifications	453,862	1,650	27,990	7,335	36,968	(527,805)	–	–
Effect of foreign currency exchange differences	248,802	1,411	3,992	1,639	3,090	13,368	1,218	273,520
Balance, December 31, 2014	**$ 4,916,329**	**$ 174,358**	**$ 218,027**	**$ 39,857**	**$ 120,273**	**$ 397,556**	**$ 32,580**	**$ 5,898,980**

Accumulated Depreciation

	Rig Equipment	Rental Equipment	Other Equipment	Vehicles	Buildings	Assets Under Construction	Land	Total
Balance, December 31, 2012	$ 1,167,252	$ 61,000	$ 93,279	$ 22,437	$ 21,484	$ –	$ –	$ 1,365,452
Depreciation expense	295,807	9,695	15,518	8,299	3,774	–	–	333,093
Disposals	(43,423)	(1,007)	(2,937)	(5,069)	–	–	–	(52,436)
Reclassifications	8,314	(8,557)	273	(20)	(10)	–	–	–
Effect of foreign currency exchange differences	50,287	361	591	971	210	–	–	52,420
Balance, December 31, 2013	1,478,237	61,492	106,724	26,618	25,458	–	–	1,698,529
Depreciation expense	392,565	10,789	16,815	6,468	4,818	–	–	431,455
Disposals	(63,305)	(1,364)	(4,845)	(18,270)	(19)	–	–	(87,803)
Asset decommissioning	(160,200)	–	–	–	–	–	–	(160,200)
Reclassifications	1,549	(1,501)	2	(95)	45	–	–	–
Effect of foreign currency exchange differences	85,393	450	1,444	454	432	–	–	88,173
Balance, December 31, 2014	**$ 1,734,239**	**$ 69,866**	**$ 120,140**	**$ 15,175**	**$ 30,734**	**$ –**	**$ –**	**$ 1,970,154**

In 2014, the Corporation incurred a $126.7 million loss on the decommissioning of certain drilling and service rigs and ancillary equipment. The assets were decommissioned due to the inefficient nature of the assets and the high cost to maintain. The charge was allocated $97.9 million (2013 – $nil) to the Contract Drilling Services segment and $28.8 million (2013 – $nil) to the Completion and Production Services segment.

Effective January 1, 2014, the Corporation changed the method for depreciating its drilling and service rig equipment from unit-of-production to straight-line. Precision believes that due to technological developments within the industry, straight-line depreciation better reflects the allocation of the cost of the assets over their expected lives. The change in depreciation method resulted in $42.7 million of additional depreciation over what would have been expensed had the previous method been continued.

NOTE 5. INTANGIBLES

		2014		2013
Cost	**$**	**8,997**	$	12,221
Accumulated amortization		**(5,695)**		(8,304)
	$	**3,302**	$	3,917
Customer relationships	**$**	**–**	$	616
Patents and brands		**–**		16
Loan commitment fees related to revolving credit facility		**3,302**		3,285
	$	**3,302**	$	3,917

Cost

	Customer Relationships	Patents and Brands	Loan Commitment Fees	Total
Balance, December 31, 2012	$ 4,575	$ 53	$ 7,760	$ 12,388
Additions	–	–	883	883
Effect of foreign currency exchange differences	78	–	–	78
Removal of fully amortized assets	(1,128)	–	–	(1,128)
Balance, December 31, 2013	3,525	53	8,643	12,221
Additions	–	–	354	354
Effect of foreign currency exchange differences	47	–	–	47
Removal of fully amortized assets	(3,572)	(53)	–	(3,625)
Balance, December 31, 2014	**$ –**	**$ –**	**$ 8,997**	**$ 8,997**

Accumulated Amortization

	Customer Relationships	Patents and Brands	Loan Commitment Fees	Total
Balance, December 31, 2012	$ 2,685	$ 32	$ 3,570	$ 6,287
Amortization expense	1,294	5	1,788	3,087
Effect of foreign currency exchange differences	58	–	–	58
Removal of fully amortized assets	(1,128)	–	–	(1,128)
Balance, December 31, 2013	2,909	37	5,358	8,304
Amortization expense	619	16	337	972
Effect of foreign currency exchange differences	44	–	–	44
Removal of fully amortized assets	(3,572)	(53)	–	(3,625)
Balance, December 31, 2014	**$ –**	**$ –**	**$ 5,695**	**$ 5,695**

NOTE 6. GOODWILL

Balance, December 31, 2012	$ 310,552
Exchange adjustment	1,804
Balance, December 31, 2013	312,356
Impairment charge	(95,170)
Exchange adjustment	2,533
Balance, December 31, 2014	**$ 219,719**

In connection with the annual test for goodwill impairment, the Corporation determined that the carrying value of the goodwill allocated to the Canadian well servicing and the wastewater treatment CGUs exceeded their recoverable amounts and recognized impairment losses of $88.9 million and $6.2 million, respectively. These impairment charges resulted in the entire goodwill balance of these CGUs being written off. Both CGUs are included in the Completion and Production Services segment. The recoverable amount was based on its value in use determined by discounting expected future cash flows to be generated from the continuing use of the assets within the CGU.

Key assumptions used in the calculation of value in use for the Canadian well servicing CGU included a discount rate of 12.5%, terminal value growth rate of nil % and average projected annual cash flow growth over the next five years of 16%. No terminal value growth rate was used due to the finite lives of the underlying assets of the CGU. Projected cash flow was based on future expected outcomes taking into account past experience and management expectation of future market conditions. A 10% change in the key assumptions would not change the amount of the impairment loss recognized.

Key assumptions used in the calculation of value in use for the wastewater treatment CGU included a discount rate of 13.0%, terminal value growth rate of nil % and no projected annual cash flow growth over the next five years. No terminal value growth rate was used due to the finite lives of the underlying assets of the CGU. Projected cash flow was based on future expected outcomes taking into account past experience and management expectation of future market conditions. A 10% change in the key assumptions would not change the amount of the impairment loss recognized.

Of the remaining carrying value of goodwill, $172.3 million is associated with the Canadian contract drilling CGU. Upon performance of the annual test for goodwill impairment for this CGU, it was determined that no impairment was required. The key assumptions used in the calculation of value in use included a discount rate of 10.5%, terminal value growth rate of nil% and average projected growth of annual cash flows over the next five years of 3%. There was no terminal value growth rate used due to the finite lives of the underlying assets of the CGU. The growth rate was based on future expected outcomes taking into account past experience and management expectation of future market conditions. A discount rate higher than 18.5% would have resulted in an impairment of goodwill.

NOTE 7. BANK INDEBTEDNESS

At December 31, 2014 and 2013, Precision had available $40.0 million and US$15.0 million under secured operating facilities, and a secured US$25.0 million facility for the issuance of letters of credit and performance and bid bonds to support international operations. As at December 31, 2014 and 2013, no amounts had been drawn on any of the facilities. Availability of the $40.0 million and US$25.0 million facility were reduced by outstanding letters of credit in the amount of $20.5 million (2013 – $17.3 million) and US$8.1 million (2013 – US$0.2 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 and US$25.0 million facilities at the bank's prime lending rate.

NOTE 8. SHARE BASED COMPENSATION PLANS

Liability Classified Plans

	Restricted Share Units	Performance Share Units	Share Appreciation Rights	Non-Management Directors' DSUs	Total
Balance, December 31, 2012	$ 9,685	$ 13,778	$ 497	$ 816	$ 24,776
Expensed (recovered) during the period	11,622	8,137	(251)	1,245	20,753
Payments	(7,769)	(8,953)	–	(207)	(16,929)
Balance, December 31, 2013	13,538	12,962	246	1,854	28,600
Expensed (recovered) during the period	7,618	5,220	(95)	135	12,878
Payments and redemptions	(10,572)	(4,413)	(70)	–	(15,055)
Balance, December 31, 2014	**$ 10,584**	**$ 13,769**	**$ 81**	**$ 1,989**	**$ 26,423**
Current	$ 6,847	$ 5,243	$ 81	$ –	$ 12,171
Long-term	3,737	8,526	–	1,989	14,252
	$ 10,584	$ 13,769	$ 81	$ 1,989	$ 26,423

(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, 2012	1,880,250	1,948,952
Granted	1,295,739	1,258,650
Issued as a result of cash dividends	51,113	54,623
Redeemed	(869,744)	(696,171)
Forfeitures	(243,863)	(128,126)
December 31, 2013	2,113,495	2,437,928
Granted	1,387,293	1,704,188
Issued as a result of cash dividends	52,369	76,994
Redeemed	(1,016,242)	(439,256)
Forfeitures	(290,219)	(329,821)
December 31, 2014	**2,246,696**	**3,450,033**

(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, 2014, the intrinsic value of these awards was $nil (2013 – $7,000).

Share Appreciation Rights	Outstanding	Range of Exercise Price (US$)	Weighted Average Exercise Price (US$)	Exercisable
December 31, 2012	678,242	$ 9.26 – 17.38	$ 14.81	678,242
Forfeited	(90,080)	13.26 – 17.38	15.42	
December 31, 2013	588,162	$ 9.26 – 17.38	$ 14.71	588,162
Exercised	(31,506)	9.26 – 9.26	9.26	
Forfeited	(112,915)	9.26 – 17.38	13.85	
December 31, 2014	**443,741**	**$ 13.26 – 17.38**	**$ 15.32**	**443,741**

	Total SARs Outstanding and Exercisable		
Range of Exercise Prices (US$):	Number	Weighted Average Exercise Price (US$)	Weighted Average Remaining Contractual Life (Years)
$ 13.26 – 14.99	100,609	$ 13.26	0.10
15.00 – 15.99	261,064	15.47	2.71
16.00 – 17.38	82,068	17.38	1.13
$ 13.26 – 17.38	443,741	$ 15.32	1.82

(c) Non-Management Directors
Effective January 1, 2012, Precision instituted a new deferred share unit plan for non-management directors whereby fully vested deferred share units are 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 in cash or for an equal number of common shares upon the director's retirement. The redemption of deferred share units 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 deferred share units 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
December 31, 2012	101,964
Granted	105,338
Issued as a result of cash dividends	2,836
Redeemed	(21,563)
December 31, 2013	188,575
Granted	85,183
Issued as a result of cash dividends	4,829
December 31, 2014	**278,587**

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, 2012	335,946
Issued as a result of cash dividends	5,459
Redeemed	(120,293)
December 31, 2013	221,112
Issued as a result of cash dividends	4,898
December 31, 2014	**226,010**

(e) Option Plan
The Corporation has a share option plan under which a combined total of 16,569,134 options to purchase common shares are reserved to be granted to employees. Of the amount reserved, 11,066,588 options have been granted. Under this plan, the exercise price of each option equals the fair market 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, 2012	4,013,797	$ 5.22 – 14.50	$ 9.13	1,846,603
Granted	1,237,500	7.82 – 9.02	8.99	
Exercised	(172,158)	5.85 – 10.67	7.43	
Forfeitures	(178,253)	5.85 – 14.50	9.77	
December 31, 2013	4,900,886	5.22 – 14.50	9.14	2,676,865
Granted	881,700	10.15 – 14.31	10.24	
Exercised	(530,738)	5.85 – 11.16	8.07	
Forfeitures	(97,534)	5.85 – 10.67	9.62	
December 31, 2014	**5,154,314**	**$ 5.22 – 14.50**	**$ 9.43**	**3,185,500**

U.S. share options	Options Outstanding	Range of Exercise Prices (US$)	Weighted Average Exercise Price (US$)	Options Exercisable
December 31, 2012	2,399,980	$ 4.95 – 15.21	$ 9.23	935,035
Granted	1,025,100	8.99 – 9.28	9.00	
Exercised	(189,887)	4.95 – 10.55	5.89	
Forfeitures	(61,385)	7.14 – 15.21	10.82	
December 31, 2013	3,173,808	4.95 – 15.21	9.32	1,438,335
Granted	827,300	9.18 – 9.18	9.18	
Exercised	(309,512)	4.95 – 10.96	8.26	
Forfeitures	(285,822)	4.95 – 14.58	9.77	
December 31, 2014	**3,405,774**	**$ 4.95 – 15.21**	**$ 9.35**	**1,795,639**

The weighted average share price at the date of exercise for share options exercised in 2014 was $12.98 (2013 – $10.11) for the Canadian share options and US$12.07 (2013 – US$9.90) for the U.S. share options.

The range of exercise prices for options outstanding at December 31, 2014 is as follows:

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
$ 5.22 – 6.99	487,102	$ 5.85	1.35	487,102	$ 5.85
7.00 – 8.99	842,609	8.55	2.22	820,055	8.57
9.00 – 9.99	1,123,084	9.02	5.12	367,442	9.02
10.00 – 14.50	2,701,519	10.51	4.43	1,510,901	10.64
$ 5.22 – 14.50	5,154,314	$ 9.43	3.93	3,185,500	$ 9.19

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$)
$ 4.95 – 6.99	95,868	$ 4.95	1.35	95,868	$ 4.95
7.00 – 8.99	1,394,295	8.57	4.17	768,046	8.25
9.00 – 9.99	780,000	9.18	6.10	4,998	9.11
10.00 – 15.21	1,135,611	10.79	3.66	926,727	10.80
$ 4.95 – 15.21	3,405,774	$ 9.35	4.36	1,795,639	$ 9.39

The per option weighted average fair value of the share options granted during 2014 was $3.17 (2013 – $3.26) estimated on the grant date using the Black-Scholes option pricing model with the following assumption: average risk-free interest rate 1% (2013 – 1%), average expected life of four years (2013 – four years), expected forfeiture rate of 5% (2013 – 5%) and expected volatility of 46% (2013 – 53%). Included in net earnings for the year ended December 31, 2014 is an expense of $5.2 million (2013 – $7.0 million).

Employee share purchase plan

In 2014, the Corporation implemented 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 2014, the Corporation recorded compensation expense of $0.5 million (2013 – $nil).

NOTE 9. PROVISIONS AND OTHER

	Workers' Compensation
Balance December 31, 2012	$ 26,601
Expensed during the year	4,350
Payment of deductibles and uninsured claims	(8,546)
Effects of foreign currency exchange differences	1,781
Balance December 31, 2013	24,186
Expensed during the year	5,215
Payment of deductibles and uninsured claims	(11,272)
Effects of foreign currency exchange differences	1,852
Balance December 31, 2014	**$ 19,981**

	December 31, 2014	December 31, 2013
Current	**$ 5,144**	$ 6,350
Long-term	**14,837**	17,836
	$ 19,981	$ 24,186

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 10. LONG-TERM DEBT

		2014	2013
Secured revolving credit facility	$	–	$ 29,781
Unsecured senior notes:			
6.625% Senior Notes due 2020 (US$650.0 million)		**754,065**	691,340
6.5% Senior Notes due 2021 (US$400.0 million)		**464,040**	425,440
5.25% Senior Notes due 2024 (US$400.0 million)		**464,040**	–
6.5% Senior Notes due 2019		**200,000**	200,000
		1,882,145	1,346,561
Less net unamortized debt issue costs		**(29,959)**	(23,293)
	$	**1,852,186**	$1,323,268

(a) Secured Revolving Credit Facility

The secured revolving credit facility provides Precision with senior secured financing for general corporate purposes, including for acquisitions, of up to US$650.0 million with a provision for an increase in the facility of up to an additional US$250.0 million. The secured revolving 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 revolving credit facility, on certain assets of certain subsidiaries organized in a jurisdiction outside of Canada or the U.S. The secured revolving credit facility requires that Precision comply with certain financial covenants including leverage ratios of consolidated senior debt to earnings before interest, taxes, depreciation and amortization as defined in the agreement (EBITDA) of less than 3:1 and consolidated total debt to EBITDA of less than 4:1 for the most recent four consecutive fiscal quarters; and an interest coverage ratio of greater than 2.75:1 for the most recent four consecutive fiscal quarters. As well, the revolving 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, 2014, Precision was in compliance with the covenants of the revolving credit facility.

The revolving credit facility has a term of five 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 revolving credit facility is June 3, 2019.

Under the revolving credit facility, amounts can be drawn in U.S. dollars and/or Canadian dollars and, as at December 31, 2014, no amounts (2013 – US$28.0 million) were drawn under this facility. Up to US$200.0 million of the revolving credit facility is available for letters of credit denominated in U.S and/or Canadian dollars and as at December 31, 2014 outstanding letters of credit amounted to US$25.6 million (2013 – US$28.6 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:

$200.0 million of 6.5% Senior Notes due 2019
These notes bear interest at a fixed rate of 6.5% per annum and mature on March 15, 2019. Interest is payable semi-annually on March 15 and September 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 revolving 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 and 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 March 15, 2015, 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 March 15, 2015 redemption price plus required interest payments through March 15, 2015 (calculated using the Government of Canada rate plus 100 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 March 15, 2015 and before March 15, 2017, at redemption prices ranging between 103.250% and 101.625% of their principal amount plus accrued interest. Any time on or after March 15, 2017, 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.

US$650.0 million of 6.625% Senior Notes due 2020
These notes bear interest at a fixed rate of 6.625% per annum and mature on November 15, 2020. 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 revolving 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 and 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, 2015, Precision may redeem the 6.625% Senior Notes due 2020 in whole or in part at 106.625% of their principal amount, plus accrued interest. As well, Precision may redeem these notes in whole or in part at any time on or after November 15, 2015 and before November 15, 2018, at redemption prices ranging between 103.313% and 101.104% of their principal amount plus accrued interest. Any time on or after November 15, 2018, 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.

US$400.0 million of 6.5% 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 revolving 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, 2016, 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, 2016 redemption price plus required interest payments through December 15, 2016 (calculated using the United States 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, 2016 and before December 15, 2019, at redemption prices ranging between 103.250% 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.

US$400.0 million of 5.25% 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 revolving 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 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, 2017, Precision may redeem up to 35% of the 5.25% Senior Notes due 2024 with the net proceeds of certain equity offerings at a redemption price equal to 105.25% of the principal amount plus accrued interest. 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 United States 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.

Long-term debt obligations at December 31, 2014 will mature as follows:

2019	$ 200,000
Thereafter	1,682,145
	$ 1,882,145

(c) Guarantor Disclosures
The following presents supplemental condensed consolidating financial information for the parent corporation, guarantor subsidiaries and the non-guarantor subsidiaries, respectively.

Condensed Consolidating Statement of Financial Position as at December 31, 2014

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Cash	$ 337,848	$ 97,980	$ 55,653	$ –	$ 491,481
Other current assets	3,923	513,465	144,980	3	662,371
Intercompany receivables	364,958	2,555,200	73,404	(2,993,562)	–
Investments in subsidiaries	6,026,160	61	–	(6,026,221)	–
Income tax recoverable	3,297	–	–	–	3,297
Property, plant and equipment	59,485	3,459,563	409,923	(145)	3,928,826
Intangibles	3,302	–	–	–	3,302
Goodwill	–	219,719	–	–	219,719
Total assets	$ 6,798,973	$ 6,845,988	$ 683,960	$ (9,019,925)	$ 5,308,996
Liabilities and Shareholders' Equity					
Current liabilities	$ 49,622	$ 384,452	$ 66,148	$ –	$ 500,222
Intercompany payables and debt	2,628,522	169,855	195,185	(2,993,562)	–
Long-term debt	1,852,186	–	–	–	1,852,186
Other long-term liabilities	47,713	473,415	(5,906)	–	515,222
Total liabilities	4,578,043	1,027,722	255,427	(2,993,562)	2,867,630
Shareholders' equity	2,220,930	5,818,266	428,533	(6,026,363)	2,441,366
Total liabilities and shareholders' equity	$ 6,798,973	$ 6,845,988	$ 683,960	$ (9,019,925)	$ 5,308,996

Condensed Consolidating Statement of Financial Position as at December 31, 2013

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Cash	$ 27,160	$ 23,039	$ 30,407	$ –	$ 80,606
Other current assets	3,592	456,574	101,906	3	562,075
Intercompany receivables	424,178	2,342,467	74,795	(2,841,440)	–
Investments in subsidiaries	5,904,795	69	–	(5,904,864)	–
Income tax recoverable	–	–	58,435	–	58,435
Property, plant and equipment	56,501	3,261,610	243,858	(235)	3,561,734
Intangibles	3,286	631	–	–	3,917
Goodwill	–	312,356	–	–	312,356
Total assets	$ 6,419,512	$ 6,396,746	$ 509,401	$ (8,746,536)	$ 4,579,123
Liabilities and Shareholders' Equity					
Current liabilities	$ 40,624	$ 240,052	$ 56,222	$ –	$ 336,898
Intercompany payables and debt	2,442,373	202,986	196,081	(2,841,440)	–
Long-term debt	1,323,268	–	–	–	1,323,268
Other long-term liabilities	263,410	262,308	(6,104)	–	519,614
Total liabilities	4,069,675	705,346	246,199	(2,841,440)	2,179,780
Shareholders' equity	2,349,837	5,691,400	263,202	(5,905,096)	2,399,343
Total liabilities and shareholders' equity	$ 6,419,512	$ 6,396,746	$ 509,401	$ (8,746,536)	$ 4,579,123

Condensed Consolidating Statement of Earnings (Loss) for the Year ended December 31, 2014

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenue	$ 172	$ 2,179,259	$ 195,487	$ (24,380)	$ 2,350,538
Operating expense	98	1,281,955	148,154	(24,380)	1,405,827
General and administrative expense	26,798	107,028	10,515	–	144,341
Earnings (loss) before income taxes, finance charges, foreign exchange, impairment of goodwill, loss on asset decommissioning and depreciation and amortization	(26,724)	790,276	36,818	–	800,370
Depreciation and amortization	8,106	415,973	24,430	160	448,669
Loss on asset decommissioning	–	126,699	–	–	126,699
Operating earnings (loss)	(34,830)	247,604	12,388	(160)	225,002
Impairment of goodwill	–	95,170	–	–	95,170
Foreign exchange	5,274	(8,450)	2,230	–	(946)
Finance charges	109,628	87	(14)	–	109,701
Equity in earnings of subsidiaries	(206,095)	–	–	206,095	–
Earnings (loss) before tax	56,363	160,797	10,172	(206,255)	21,077
Income taxes	23,050	(37,581)	2,456	–	(12,075)
Net earnings (loss)	$ 33,313	$ 198,378	$ 7,716	$ (206,255)	$ 33,152

Condensed Consolidating Statement of Earnings (Loss) for the Year ended December 31, 2013

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenue	$ 143	$ 1,912,750	$ 137,681	$ (20,597)	$ 2,029,977
Operating expense	273	1,148,786	120,175	(20,597)	1,248,637
General and administrative expense	29,174	101,407	11,926	–	142,507
Earnings (loss) before income taxes, finance charges, foreign exchange, and depreciation and amortization	(29,304)	662,557	5,580	–	638,833
Depreciation and amortization	7,393	309,939	15,576	251	333,159
Operating earnings (loss)	(36,697)	352,618	(9,996)	(251)	305,674
Foreign exchange	(3,356)	(5,198)	(558)	–	(9,112)
Finance charges	92,112	1,141	(5)	–	93,248
Equity in earnings of subsidiaries	(360,468)	–	–	360,468	–
Earnings (loss) before tax	235,015	356,675	(9,433)	(360,719)	221,538
Income taxes	43,615	(15,431)	2,204	–	30,388
Net earnings (loss)	$ 191,400	$ 372,106	$ (11,637)	$ (360,719)	$ 191,150

Condensed Consolidating Statement of Comprehensive Income for the Year ended December 31, 2014

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net earnings	$ 33,313	$ 198,378	$ 7,716	$ (206,255)	$ 33,152
Other comprehensive income (loss)	(101,325)	141,519	29,324	249	69,767
Comprehensive income (loss)	$ (68,012)	$ 339,897	$ 37,040	$ (206,006)	$ 102,919

Condensed Consolidating Statement of Comprehensive Income for the Year ended December 31, 2013

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net earnings	$ 191,400	$ 372,106	$ (11,637)	$ (360,719)	$ 191,150
Other comprehensive income (loss)	(72,135)	98,105	10,720	370	37,060
Comprehensive income (loss)	$ 119,265	$ 470,211	$ (917)	$ (360,349)	$ 228,210

Condensed Consolidating Statement of Cash Flow for the Year ended December 31, 2014

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Cash provided by (used in):					
Operations	$ (142,565)	$ 815,939	$ 6,785	$ –	$ 680,159
Investments	101,403	(478,613)	(139,018)	(113,759)	(629,987)
Financing	329,704	(267,482)	153,723	113,759	329,704
Effects of exchange rate changes on cash and cash equivalents	22,146	5,097	3,756	–	30,999
Increase in cash and cash equivalents	310,688	74,941	25,246	–	410,875
Cash and cash equivalents, beginning of year	27,160	23,039	30,407	–	80,606
Cash and cash equivalents, end of year	$ 337,848	$ 97,980	$ 55,653	$ –	$ 491,481

Condensed Consolidating Statement of Cash Flow for the Year ended December 31, 2013

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Cash provided by (used in):					
Operations	$ (207,558)	$ 693,757	$ (58,113)	$ –	$ 428,086
Investments	96,685	(458,810)	(68,951)	(95,459)	(526,535)
Financing	21,517	(229,688)	134,229	95,459	21,517
Effects of exchange rate changes on cash and cash equivalents	1,807	2,071	892	–	4,770
Increase (decrease) in cash and cash equivalents	(87,549)	7,330	8,057	–	(72,162)
Cash and cash equivalents, beginning of year	114,709	15,709	22,350	–	152,768
Cash and cash equivalents, end of year	$ 27,160	$ 23,039	$ 30,407	$ –	$ 80,606

NOTE 11. 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, at December 31, is as follows:

		2014		2013
Earnings before income taxes	**$**	**21,077**	$	221,538
Federal and provincial statutory rates		**25%**		25%
Tax at statutory rates	**$**	**5,269**	$	55,385
Adjusted for the effect of:				
Non-deductible expenses		**26,829**		4,097
Non-taxable capital gains		**(1,123)**		(626)
Income taxed at lower rates		**(33,356)**		(31,118)
Impact of foreign tax rates		**(12,695)**		(5,957)
Withholding taxes		**3,932**		3,343
Taxes related to prior years		**(3,980)**		4,738
Other		**3,049**		526
Income tax expense (recovery)	**$**	**(12,075)**	$	30,388

The net deferred tax liability is comprised of the tax effect of the following temporary differences:

		2014		2013
Deferred income tax liability:				
Property, plant and equipment and intangibles	**$**	**730,742**	$	749,760
Partnership deferrals		**55,848**		34,938
Debt issue costs		**4,905**		2,966
Other		**1,921**		6,569
		793,416		794,233
Deferred income tax assets:				
Losses (expire from time to time up to 2034)		**284,776**		285,438
Long-term incentive plan		**13,939**		14,800
Other		**8,568**		6,648
Net deferred income tax liability	**$**	**486,133**	$	487,347

Included in the net deferred tax liability is $235.8 million (2013 – $257.8 million) of tax effected temporary differences related to the Corporation's United States operations.

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, 2012	$ 686,833	$ 60,906	$ 4,260	$ (244,888)	$ 1,561	$ (13,917)	$ (9,163)	$ 485,592
Recognized in net earnings	28,176	(25,968)	2,312	(22,968)	1,405	(173)	2,587	(14,629)
Effect of foreign currency exchange differences	34,751	–	(3)	(17,582)	–	(710)	(72)	16,384
Balance, December 31, 2013	749,760	34,938	6,569	(285,438)	2,966	(14,800)	(6,648)	487,347
Recognized in net earnings	(65,223)	20,910	(4,626)	24,655	1,939	1,856	(1,758)	(22,247)
Effect of foreign currency exchange differences	46,205	–	(22)	(23,993)	–	(995)	(162)	21,033
Balance, December 31, 2014	**$ 730,742**	**$ 55,848**	**$ 1,921**	**$(284,776)**	**$ 4,905**	**$ (13,939)**	**$ (8,568)**	**$ 486,133**

On December 31, 2014, Precision had $32.7 million (2013 – $30.9 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, 2014 was interest and penalties of $11.4 million (2013 – $10.1 million).

Reconciliation of Unrecognized Tax Benefits

Year ended December 31,		**2014**		2013
Unrecognized tax benefits, beginning of year	**$**	**30,930**	$	34,357
Additions:				
Prior year's tax positions		**2,492**		2,031
Reductions:				
Prior year's tax positions		**(722)**		(5,458)
Unrecognized tax benefits, end of year	**$**	**32,700**	$	30,930

It is anticipated that approximately $8.0 million (2013 – $0.5 million) 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 of Precision.

NOTE 12. 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, 2012	276,475,770	$	2,251,982
Options exercised – cash consideration	362,045		2,432
– reclassification from contributed surplus	–		1,275
Issued on redemption of non-management directors' DSUs	141,856		1,238
Issued on exercise of warrants	15,000,000		48,300
Balance, December 31, 2013	291,979,671	$	2,305,227
Options exercised – cash consideration	840,250		7,082
– reclassification from contributed surplus	–		3,230
Balance, December 31, 2014	**292,819,921**	**$**	**2,315,539**

(c) Dividends
During 2014, the Corporation approved and paid dividends of $0.25 per common share (2013 – $0.21) for total payments of $73 million (2013 – $58 million). On February 12, 2015, the Board of Directors declared a dividend of $0.07 per common share payable on March 12, 2015 to shareholders of record on February 27, 2015.

NOTE 13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Unrealized Foreign Currency Translation Gains (Losses)	Foreign Exchange Gain (Loss) on Net Investment Hedge	Accumulated Other Comprehensive Income (Loss)
December 31, 2012	$ (60,865)	$ 330	$ (60,535)
Other comprehensive income	109,195	(72,135)	37,060
December 31, 2013	48,330	(71,805)	(23,475)
Other comprehensive income	171,092	(101,325)	69,767
December 31, 2014	**$ 219,422**	**$ (173,130)**	**$ 46,292**

NOTE 14. FINANCE CHARGES

	2014	2013
Interest:		
Long-term debt	**$ 106,837**	$ 88,516
Other	**368**	1,356
Income	**(987)**	(967)
Amortization of debt issue costs	**3,483**	4,343
Finance charges	**$ 109,701**	$ 93,248

NOTE 15. 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 2014 was $15.1 million (2013 – $13.0 million).

NOTE 16. RELATED PARTY TRANSACTIONS

Compensation of Key Management Personnel

The remuneration of key management personnel is as follows:

	2014	2013
Salaries and other benefits	**$ 9,193**	$ 6,752
Equity settled share based compensation	**3,241**	3,433
Cash settled share based compensation	**3,235**	8,051
	$ 15,669	$ 18,236

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 17. 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:

		2014		2013
Less than one year	**$**	**19,143**	$	16,833
Between one and five years		**44,913**		41,258
Later than five years		**11,005**		15,714
	$	**75,061**	$	73,805

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 statement of earnings:

		2014		2013
Operating leases	**$**	**21,516**	$	19,578
Sub-lease recoveries		**(870)**		(1,024)
	$	**20,646**	$	18,554

Capital Commitments
At December 31, 2014, the Corporation had commitments to purchase property, plant and equipment totaling $418.3 million (2013 – $178.8 million). Payments of $189.6 million for these commitments are expected to be made in 2015 and $228.7 million in 2019.

NOTE 18. PER SHARE AMOUNTS

The following tables reconcile the net earnings and weighted average shares outstanding used in computing basic and diluted earnings per share:

		2014		2013
Net earnings – basic and diluted	**$**	**33,152**	$	191,150

(Stated in thousands)	2014	2013
Weighted average shares outstanding – basic	**292,533**	277,583
Effect of share warrants	**–**	9,327
Effect of stock options and other equity compensation plans	**1,271**	971
Weighted average shares outstanding – diluted	**293,804**	287,881

NOTE 19. SEGMENTED INFORMATION

The Corporation operates primarily in Canada and the United States, 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, coil tubing units, oilfield equipment rental, camp and catering services, and wastewater treatment units.

2014	**Contract Drilling Services**	**Completion and Production Services**	**Corporate and Other**	**Inter-Segment Eliminations**	**Total**
Revenue	**$ 2,017,110**	**$ 343,556**	**$ –**	**$ (10,128)**	**$ 2,350,538**
Operating earnings	**342,078**	**(29,419)**	**(87,657)**	**–**	**225,002**
Depreciation and amortization	**381,465**	**58,621**	**8,583**	**–**	**448,669**
Loss on asset decommissioning	**97,947**	**28,752**	**–**	**–**	**126,699**
Total assets	**4,425,531**	**412,423**	**471,042**	**–**	**5,308,996**
Goodwill	**202,751**	**16,968**	**–**	**–**	**219,719**
Capital expenditures	**821,713**	**24,401**	**10,576**	**–**	**856,690**

2013	Contract Drilling Services	Completion and Production Services	Corporate and Other	Inter-Segment Eliminations	Total
Revenue	$ 1,719,910	$ 323,353	$ –	$ (13,286)	$ 2,029,977
Operating earnings	361,447	28,402	(84,175)	–	305,674
Depreciation and amortization	292,217	32,630	8,312	–	333,159
Total assets	3,837,919	590,992	150,212	–	4,579,123
Goodwill	200,217	112,139	–	–	312,356
Capital expenditures	446,566	83,470	5,768	–	535,804

The Corporation's operations are carried on in the following geographic locations:

2014	**Canada**	**United States**	**International**	**Inter-Segment Eliminations**	**Total**
Revenue	**$ 1,077,814**	**$ 1,096,918**	**$ 195,487**	**$ (19,681)**	**$ 2,350,538**
Total assets	**2,434,774**	**2,244,867**	**629,355**	**–**	**5,308,996**

2013	Canada	United States	International	Inter-Segment Eliminations	Total
Revenue	$ 1,002,199	$ 901,246	$ 137,681	$ (11,149)	$ 2,029,977
Total assets	2,082,958	2,006,519	489,646	–	4,579,123

During the years ended December 31, 2014 and 2013, no one individual customer accounted for more than 10% of the Corporation's total revenue.

NOTE 20. 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 as well as 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. The Corporation views the credit risks on these amounts as normal for the industry. Precision's most significant customer accounted for $22.7 million of the trade receivables amount at December 31, 2014 (2013 – $19.6 million).

The movement in the allowance for doubtful accounts during the year was as follows:

		2014		2013
Balance at January 1	**$**	**11,703**	$	12,187
Impairment loss recognized		**115**		325
Amounts written-off as uncollectible		**(5,645)**		(1,172)
Impairment loss reversed		**–**		(138)
Effect of movement in exchange rates		**240**		501
Balance at December 31	**$**	**6,413**	$	11,703

The ageing of trade receivables at December 31 was:

	2014			2013	
		Gross	**Provision for Impairment**	Gross	Provision for Impairment
Not past due	**$**	**219,000**	**$ –**	$ 177,141	$ –
Past due 0-30 days		**108,946**	**–**	98,529	–
Past due 31-120 days		**47,365**	**–**	28,897	–
Past due more than 120 days		**11,141**	**6,413**	21,584	11,703
	$	**386,452**	**$ 6,413**	$ 326,151	$ 11,703

(b) Interest Rate Risk
As at December 31, 2014 and 2013, all of Precision's long-term debt, with the exception of the secured revolving 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. Based on the debt outstanding at the end of the year, a 100 basis point change in interest rates would change the annual interest expense by $nil (2013 – $0.3 million).

(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:

	2014		2013	
	Canadian Operations (1)	**Foreign Operations**	Canadian Operations (1)	Foreign Operations
Cash	**$ 272,981**	**$ 115,716**	$ 995	$ 53,327
Accounts receivable	**–**	**270,984**	26	290,995
Accounts payable and accrued liabilities	**(18,165)**	**(270,863)**	(13,385)	(180,626)
Long-term liabilities, excluding long-term incentive plans	**–**	**(12,790)**	–	(16,770)
Net foreign currency exposure	**$ 254,816**	**$ 103,047**	$ (12,364)	$ 146,926
Impact of $0.01 change in the U.S. dollar to Canadian dollar exchange rate on net earnings	**$ 2,548**	**$ –**	$ 124	$ –
Impact of $0.01 change in the U.S. dollar to Canadian dollar exchange rate on comprehensive income	**$ –**	**$ 1,030**	$ –	$ 1,469

(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 as at December 31, 2014:

	2015	2016	2017	2018	2019	Thereafter	Total
Long-term debt	$ –	$ –	$ –	$ –	$ 200,000	$ 1,682,145	$ 1,882,145
Interest on long-term debt (1)	117,482	117,482	117,482	117,482	107,190	221,546	798,664
Commitments	208,799	14,743	12,713	10,065	236,071	11,005	493,396
Total	$ 326,281	$ 132,225	$ 130,195	$ 127,547	$ 543,261	$ 1,914,696	$ 3,174,205

(1) Interest has been calculated based on debt balances, interest rates, and foreign exchange rates in effect as at December 31, 2014 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, 2014 was approximately $1,668 million (2013 – $1,403 million).

Financial assets and liabilities recorded or disclosed at fair value in the consolidated balance sheet 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 21. 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, 2014 and 2013, these ratios were as follows:

		2014		2013
Long-term debt	**$**	**1,852,186**	$	1,323,268
Shareholders' equity		**2,441,366**		2,399,343
Total capitalization	**$**	**4,293,552**	$	3,722,611
Long-term debt to long-term debt plus equity ratio		**0.43**		0.36

As at December 31, 2014, liquidity remained sufficient as Precision had $491.5 million (2013 – $80.6 million) in cash and access to a US$650.0 million senior secured revolving credit facility (2013 – US$850.0 million) and $86.4 million (2013 – $82.5 million) secured operating facilities. As at December 31, 2014, no amounts (2013 – US$28.0 million) were drawn on the US$650.0 million secured revolving credit facility with availability reduced by US$25.6 million (2013 – US$28.6 million) in outstanding letters of credit. Availability of the $40.0 million and US$25.0 million secured operating facilities was reduced by outstanding letters of credit of $20.5 million (2013 – $17.3 million) and US$8.1 million (2013 – US$ 0.2 million), respectively. There was no amount drawn on the US$15.0 million secured operating facility.

NOTE 22. SUPPLEMENTAL INFORMATION

Components of changes in non-cash working capital balances are as follows:

		2014		2013
Accounts receivable	**$**	**(20,986)**	$	(23,110)
Inventory		**3,946**		1,658
Income tax recoverable		**(55,138)**		–
Accounts payable and accrued liabilities		**124,602**		(22,682)
	$	**52,424**	$	(44,134)
Pertaining to:				
Operations	**$**	**(17,315)**	$	(33,887)
Investments	**$**	**69,739**	$	(10,247)

The components of accounts receivable are as follows:

		2014		2013
Trade	**$**	**380,039**	$	314,448
Accrued trade		**147,616**		152,768
Prepaids and other		**70,408**		82,481
	$	**598,063**	$	549,697

The components of accounts payable and accrued liabilities are as follows:

		2014		2013
Accounts payable	**$**	**295,468**	$	148,081
Accrued liabilities:				
Payroll		**86,496**		81,586
Other		**111,074**		103,171
	$	**493,038**	$	332,838

Precision presents expenses in the consolidated statement of earnings by function with the exception of depreciation and amortization and loss on asset decommissioning, which are presented by nature. Operating expense and general and administrative expense would include $566.7 million and $8.6 million (2013 – $324.8 million and $8.3 million), respectively, of depreciation and amortization and loss on asset decommissioning if the statements of earnings were presented purely by function. The following table presents operating and general and administrative expenses by nature:

		2014		2013
Wages, salaries and benefits	**$**	**930,402**	$	773,901
Purchased materials, supplies and services		**601,724**		589,394
Share-based compensation		**18,042**		27,849
	$	**1,550,168**	$	1,391,144
Allocated to:				
Operating expense	**$**	**1,405,827**	$	1,248,637
General and administrative		**144,341**		142,507
	$	**1,550,168**	$	1,391,144

NOTE 23. 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 and the amount owed, with estimated interest but without penalties, could be up to $3 million. This amount is included in the estimated amount pertaining to the long-term income tax recoverable on the balance sheet of $3 million.

On August 7, 2014, the Ontario Court of Appeal ruled in favour of Precision's wholly owned subsidiary, Inter-Leasing, Inc., reversing a decision by the Ontario Superior Court of Justice in June 2013, regarding the reassessment of Ontario income tax for Inter-Leasing, Inc.'s 2001 through 2004 taxation years. The Ontario Minister of Revenue made an application to the Supreme Court of Canada seeking leave to appeal this decision. On March 5, 2015, the Supreme Court of Canada denied the Ontario Minister of Revenue's application for leave to appeal. The decision by the Supreme Court of Canada brought the appeal process to an end and Precision has reflected the $55 million paid to the Ontario tax authorities in 2008, related to the reassessed taxation years, as a current receivable. It is expected that this amount plus interest and costs will be received from the Ontario Minister of Revenue in 2015.

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 24. SUBSIDIARIES

Significant Subsidiaries

		Ownership Interest	
	Country of Incorporation	**2014**	2013
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	Cyprus	**100**	100
Grey Wolf Drilling (Barbados) Ltd.	Barbados	**100**	–