UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

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

or

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

For the fiscal year ended December 31, 2021

Commission file number: 001-14534

PRECISION DRILLING CORPORATION

(Exact name of Registrant as specified in its charter)

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares	PDS	New York Stock Exchange

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

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

Information filed with this Form:

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 13,304,425 Common Shares outstanding as at December 31, 2021.

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

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

☒ Yes ☐ No

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

Emerging growth company ☐

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its report. ☒

Auditor Firm Id: 85 Auditor Name: KPMG LLP Auditor Location: Calgary, Alberta, Canada

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
S-8	333-221226

DISCLOSURE CONTROLS AND PROCEDURES

For information on disclosure controls and procedures, see "Evaluation of Disclosure Controls and Procedures" in the Annual Information Form for the fiscal year ended December 31, 2021, filed as Exhibit 99.1 (the "Annual Information Form") and "Disclosure Controls and Procedures" in Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2021, filed as

Exhibit 99.2 (“Management’s Discussion and Analysis”).

NOTICES PURSUANT TO REGULATION BTR

None.

INTERNAL CONTROL OVER FINANCIAL REPORTING

For information on internal control over financial reporting, see “Management’s Report to the Shareholders” in the Consolidated Financial Statements for the fiscal year ended December 31, 2021, filed as Exhibit 99.3. See also “Internal Control Over Financial Reporting” in the Management’s Discussion and Analysis.

ATTESTATION REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

KPMG LLP, the independent registered public accounting firm that audited the Registrant’s Consolidated Financial Statements for the fiscal year ended December 31, 2021, has issued an attestation report on internal control over financial reporting. See “Report of Independent Registered Public Accounting Firm” in the Consolidated Financial Statements for the fiscal year ended December 31, 2021, filed as Exhibit 99.3.

AUDIT COMMITTEE FINANCIAL EXPERT

The board of directors of the Registrant has determined that it has at least one audit committee financial expert serving on its audit committee. Each of Michael R. Culbert, William T. Donovan, Brian J. Gibson, Steven W. Krablin and David W. Williams 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 2021 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: William T. Donovan

Members: Michael R. Culbert
Brian J. Gibson
Steven W. Krablin
David W. Williams

MINE SAFETY DISCLOSURE

Not applicable.

DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

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.

EXHIBITS

Exhibit Number	Description
23.1	Consent of KPMG LLP, Chartered Professional 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, 2021.
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2021.
99.3	Consolidated Financial Statements for the fiscal year ended December 31, 2021.
101	Interactive data files (formatted as Inline XBRL) with respect to the Annual Consolidated Financial Statements of Precision Drilling Corporation for the fiscal year ended December 31, 2021.
104	Cover page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

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

Precision Drilling Corporation

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

Date: March 7, 2022

Exhibit 23.1

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

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors of Precision Drilling Corporation

We consent to the use of our reports, each dated March 4, 2022, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting included in this Annual Report on Form 40-F.

We also consent to the incorporation by reference of such reports in the Registration Statements (Nos. 333-194966, 333-189046, 333-189045, 333-221226) on Forms S-8 of Precision Drilling Corporation.

KPMG LLP

Chartered Professional Accountants
Calgary, Canada
March 4, 2022

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 7, 2022

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

Exhibit 31.2

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

I, Carey T. Ford, certify that:

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

Dated: March 7, 2022

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

Exhibit 32.1

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

In connection with the Annual Report of Precision Drilling Corporation on Form 40-F for the year ended December 31, 2021, 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 7, 2022

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

Exhibit 32.2

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

In connection with the Annual Report of Precision Drilling Corporation on Form 40-F for the year ended December 31, 2021, 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 7, 2022

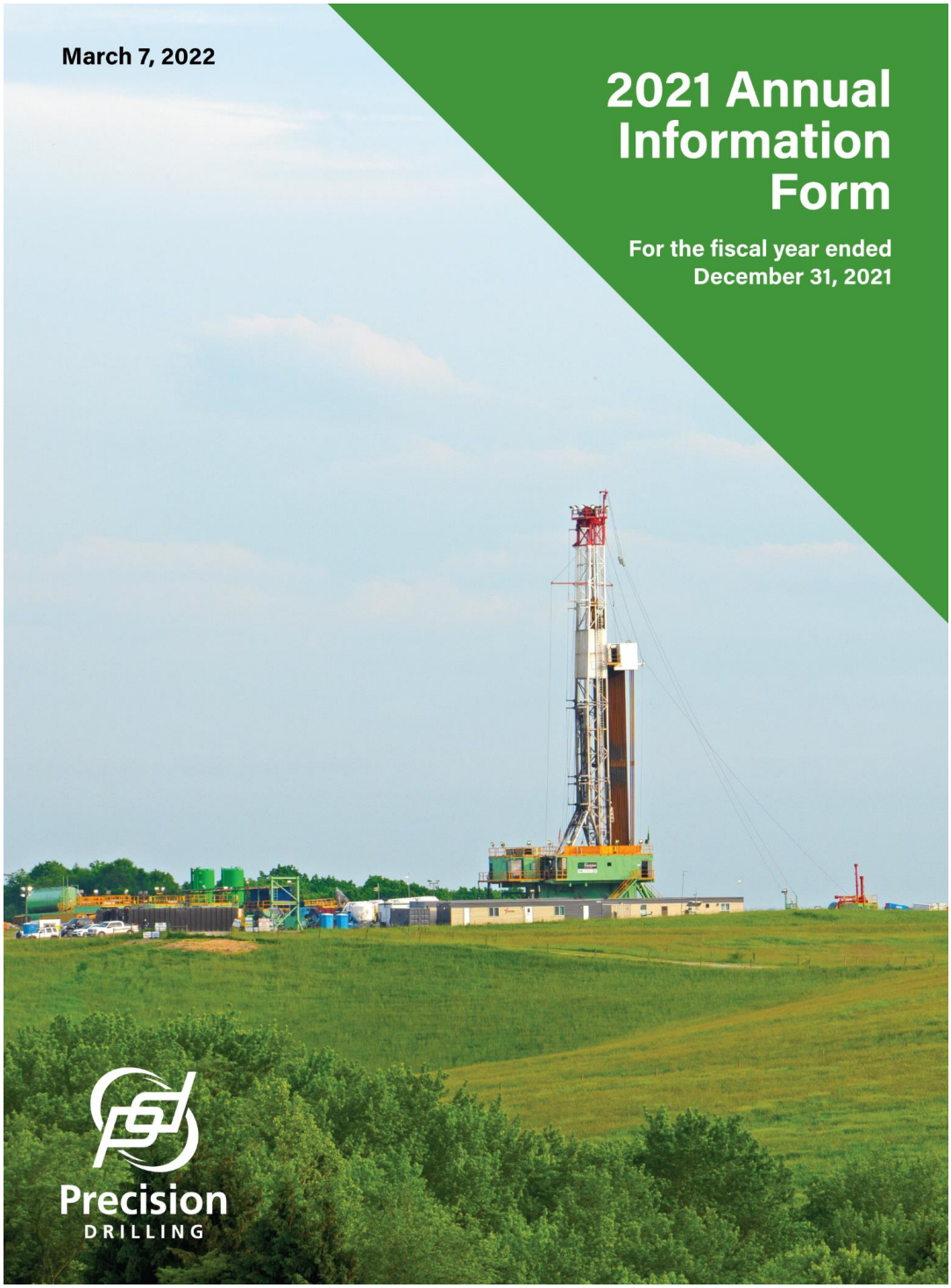
By: /s/ Carey T. Ford
Carey T. Ford, Senior Vice President and Chief Financial Officer Precision Drilling Corporation

Exhibit 99.1

March 7, 2022

2021 Annual Information Form

For the fiscal year ended December 31, 2021



Precision DRILLING

PRECISION DRILLING ANNUAL INFORMATION FORM

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

Information in the AIF is as of December 31, 2021 unless specified otherwise. All amounts are in Canadian dollars unless specified otherwise.

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ABOUT PRECISION

Precision Drilling Corporation provides onshore drilling, completion and production services to exploration and production companies in the oil and natural gas and geothermal industries. We offer customers access to an extensive fleet of high-efficiency Super Series drilling rigs, further enhanced by our commercialized and industry-leading Alpha™ technologies. Precision has partnered with several industry leaders to develop its digital portfolio consisting of AlphaAutomation™, AlphaApps™ and AlphaAnalytics™, which delivers efficient, predictable and repeatable results through enhanced drilling performance.

In 2021, we launched our EverGreen™ suite of environmental solutions, bolstering our commitment to reduce the environmental impact of oilfield operations. Our EverGreen™ suite of environment solutions is comprised of EverGreenMonitoring™, EverGreenEnergy™ and EverGreen™ Fuel Cell.

From our founding as a private drilling contractor in 1951, Precision has grown to become one of the most active drillers in North America. Our *High Performance*, *High Value* competitive advantage is underpinned by four distinguishing features:

- a high-quality drilling rig fleet, with AC *Super Triple* rigs enabled with our Alpha™ technologies and supported by our EverGreen™ suite of environmental solutions to deliver consistent, repeatable, high-quality wellbores while improving safety, performance, operational efficiency and reducing environmental impact
- size and scale of our vertically integrated operations that provide higher margins and better service capabilities
- a diverse culture focused on operational excellence, which includes corporate responsibility, safety and field performance, and
- a capital structure that provides long-term stability, flexibility and liquidity, allowing us to take advantage of business cycle opportunities.

CORPORATE GOVERNANCE

As we work to be financially, environmentally, and socially responsible, Precision is guided by our core values and corporate governance principles. With the support and oversight of our Board of Directors (**Board**), we are committed to maintaining ethics and integrity. We recognize that governance practices such as board independence, proactive shareholder engagement and risk management help us sustain the trust we've built with our stakeholders.

To deliver results, we focus on operational excellence, top-tier environmental, social and governance (**ESG**) performance and productive stakeholder engagement. We integrate our health, safety and environmental (**HSE**) commitment into our operations and incorporate ESG performance goals into our compensation program.

In July 2021, we published our second annual Corporate Responsibility Report that documents our progress in ESG efforts and provides an outline of our ESG strategies, focus areas and performance. We invite you to review Precision's ESG matters beginning on page 13 or, for more specific information, you can read our Corporate Responsibility Report available at **www.precisiondrilling.com/sustainability**.

We foster a culture that is inclusive and encourage our people to contribute their differing perspectives, ideas and experiences to advance the way we live and work. We know that this is not achievable unless we have a diverse and inclusive culture. With this in mind, we have commenced a process to recruit a new female director to increase diversity on our Board in 2022. Our directors have a history of achievement and an effective mix of skills, knowledge and business experience. The directors continue to provide oversight in support of future operations and monitor regulatory developments and governance best practices in Canada, the United States (**U.S.**) and internationally.

As part of their oversight, our Board has established three standing committees, comprised of independent directors, to help carry out its responsibilities effectively:

- Audit Committee
- Corporate Governance, Nominating and Risk Committee (**CGNRC**), and
- Human Resources and Compensation Committee (**HRCC**).

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

Management has also established internal committees, including an Enterprise Risk Management Committee, a Compliance Committee, a Disclosure Committee and a Health, Safety, Environment and Corporate Responsibility Council (**HSE and Corporate Responsibility Council**). Two of our directors, Dr. Meyers and Ms. MacKenzie, are active members of the HSE and Corporate Responsibility Council and attend quarterly meetings.

CORPORATE STRUCTURE

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

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

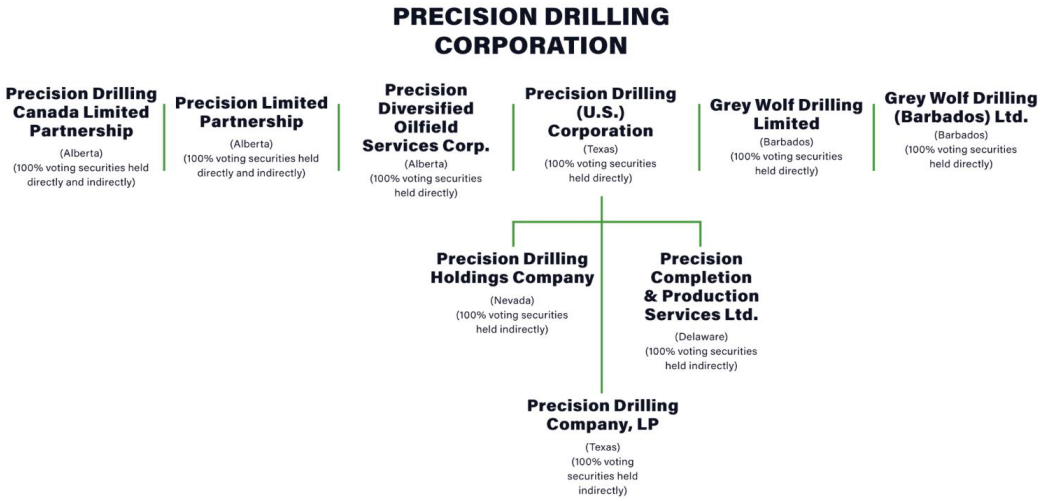
Our common shares trade on the Toronto Stock Exchange (**TSX**), under the symbol *PD*, and on the New York Stock Exchange (**NYSE**), under the symbol *PDS*.

Our principal corporate and registered office is at:

Suite 800, 525 – 8th Avenue SW
Calgary, Alberta
Canada T2P 1G1

Phone: 403.716.4500
Fax: 403.264.0251
Email: info@precisiondrilling.com
Website: www.precisiondrilling.com

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



RECENT DEVELOPMENTS AND THREE-YEAR HISTORY

At current commodity prices, we anticipate higher demand for our services and improved fleet utilization in 2022 as customers look to maintain and replenish production levels as drilled but uncompleted well inventories have been depleted.

Commodity demand and pricing remains dynamic as the world economy continues to recover from the novel coronavirus (**COVID-19**) pandemic. The ultimate duration of the recovery, magnitude and long-term impact of the financial effect on the Corporation remain difficult to predict at this time.

Over the past several years we have improved our balance sheet through debt reduction and refinancings and share repurchases while maintaining a strong liquidity position.

Since 2018, we have paid down approximately $665 million of debt. . We remain committed to improving our balance sheet and have announced our goal of repaying over $400 million in debt over the next four years and reaching a sustained Net Debt to Adjusted EBITDA ratio (see Financial Measures and Ratios on page 49) of below 1.5 times. In addition to debt reduction targets through 2025, we plan to allocate 10% to 20% of free cash flow before debt principal repayments toward the return of capital to shareholders.

2021

Industry Conditions

In 2021, the return of global energy demand, sustained periods of strong commodity prices and the multi-year period of upstream underinvestment provided a positive backdrop for the oilfield services industry. In Canada, industry activity surpassed pre-pandemic levels as takeaway capacity continued to improve, price differentials shrank and the startup of liquified natural gas (**LNG**) exports progressed. In the U.S., the active rig count steadily rose throughout the year as producers looked to replenish declining drilled but uncompleted well inventories.

Environmental, Social and Governance

On July 14, 2021, we published our second annual Corporate Responsibility Report that documents our progress in ESG efforts and provides an outline of our ESG strategies, focus areas and performance. In 2021, we also announced the creation of our Environmental (E) and Social (S) Teams, both comprised of well-qualified and diverse leaders from across the organization who will focus on coordinating and developing strategies, plans and technologies to reduce environmental impacts and enhance our social activities and outreach.

EverGreen™ Suite of Environmental Solutions

On July 14, 2021, we announced the brand launch of our EverGreen™ suite of environmental solutions, bolstering our commitment to reduce the environmental impact of oilfield operations. Our EverGreen™ suite of environment solutions is comprised of EverGreenMonitoring™, EverGreenEnergy™ and EverGreen™ Fuel Cell.

See *Environment - EverGreen™ Suite of Environmental Solutions*, on page 14.

Debt Repayment

Our 2021 targeted debt reduction range was $100 million to $125 million. We ended 2021 with a total of $115 million of debt reduction, exceeding the low end of our targeted range by $15 million. During 2021, we redeemed and retired the outstanding amounts of our 7.75% senior notes due 2023 (**2023 Notes**) and 5.25% senior notes due 2024 (**2024 Notes**) using net proceeds from our 2029 Notes (as defined below) that were issued in June 2021 along with drawings on our syndicated senior credit facility (**Senior Credit Facility**).

See *Capital Structure – Material Debt*, on page 25.

U.S. Senior Note Offering

In June, we completed a US$400 million offering of 6.875% senior unsecured notes due in 2029 in a private placement. Net proceeds and unutilized capacity under our Senior Credit Facility were used to redeem all outstanding 2023 Notes and 2024 Notes.

See *Capital Structure – Material Debt*, on page 25.

Technology Initiatives

As of December 31, 2021 Precision had 47 Alpha™ rigs throughout North America, a 26% increase from the beginning of 2021. Our Alpha™ rigs are fully digitally-enabled, pad-walking AC *Super Triples* equipped with AlphaAutomation™ and a platform to deploy AlphaApps™ and AlphaAnalytics™. In the fourth quarter of 2021, our paid AlphaApps™ days increased by 50% compared with the third quarter of 2021 and 490% compared to the fourth quarter of 2020. Our two training rigs at the Nisku Drilling Support Centre and Houston Technical Support Centre are also equipped with Alpha™, which allows us to test and train our employees before new technology is field deployed. To date, Precision's Alpha™ rigs have drilled over 2,100 wells in the U.S. and Canada and have been fully commercialized in numerous basins since November 2019.

COVID-19 Pandemic Health and Safety Initiatives

Precision continued to proactively respond to the COVID-19 pandemic throughout 2021 by implementing our comprehensive safety protocols to protect the health and welfare of our people and stakeholders. Precision did not suffer any material shutdowns, interruption in services or capability reductions due to the pandemic. In September, we implemented a vaccination and testing policy to ensure that our employees continue to work in a safe environment.

Directional Drilling

On July 23, 2021, we divested our directional drilling business to Cathedral Energy Services Ltd. (**Cathedral**) for $6 million. The transaction included the sale of operating assets and personnel from our directional drilling business, including our operations facility in Nisku, Alberta. In addition, Precision and Cathedral entered into a strategic marketing alliance to support mutual business and technology initiatives. The purchase price was satisfied through the issuance by Cathedral to Precision of 13.4 million common shares along with warrants for Precision to purchase an additional 2.0 million common shares. Precision was also granted the right to nominate a member of Cathedral's board of directors pursuant to an investor rights agreement and nominated Shuja Goraya, our Chief Technology Officer.

Capital Expenditures

Our capital spending for the year totaled $76 million. Our capital spending by spend category (see Financial Measures and Ratios on page 49) included $57 million for maintenance and infrastructure and $19 million for expansion and upgrades.

Normal Course Issuer Bid

On August 27, 2021, we renewed our normal course issuer bid (**NCIB**) through the facilities of the TSX and NYSE. The NCIB allows us to buy back up to 1,317,158 common shares, representing 10% of our public float, by August 26, 2022. For the year ended December 31, 2021, we repurchased and cancelled 155,168 common shares for $4 million. These repurchases were funded from cash flow and account for approximately 1.2% of our available public float.

Canadian Emergency Wage Subsidy

On April 1, 2020, the Government of Canada announced the Canadian Emergency Wage Subsidy (**CEWS**) program, which subsidizes a portion of employee wages for Canadian employers whose businesses have been adversely affected by the COVID-19 pandemic. The CEWS program benefitted Precision and our employees throughout 2021 as it has allowed us to retain a higher employment level for Canadian positions within our organization. By participating in this program, Precision was able to rehire or retain hundreds of employees and the program indirectly and directly supported field operations for Precision and our Canadian customer base. In 2021, we recognized $24 million of CEWS program assistance that was presented as a reduction to operating and general and administrative expense of $21 million and $3 million, respectively. Funds from the CEWS program were used to support employment tied to Precision's Canadian operations, field support centers and corporate head office in Calgary, Alberta.

Extensions and Amendments to the Senior Credit Facility

On June 18, 2021, we extended the maturity our Senior Credit Facility's to June 18, 2025; however, US$53 million will expire on November 21, 2023. We also extended and amended certain financial covenants during the Covenant Relief Period.

See *Capital Structure – Material Debt – Senior Credit Facility*, on page 25.

2020

Industry Conditions

In 2020, the COVID-19 pandemic negatively impacted the energy industry resulting in significant global oil supply imbalances and near-term crude oil price volatility. Our customers responded by materially reducing capital spending leading to a rapid reduction in global oilfield service activity levels. In this reduced-activity environment, our customers remained focused on operational efficiencies.

COVID-19 Pandemic Health and Safety Initiatives

Precision responded to the COVID-19 pandemic by implementing comprehensive safety protocols to protect the health and welfare of our people and stakeholders from the risks of COVID-19. Precision did not suffer any shutdowns, interruption in services or capability reductions due to the pandemic.

Canadian Emergency Wage Subsidy

In 2020, we recognized $26 million of CEWS program assistance that was presented as a reduction to operating and general and administrative expense of $21 million and $5 million, respectively. Funds from the CEWS program were used to support employment tied to Precision's Canadian operations, field support centers and corporate head office in Calgary, Alberta.

Capital Expenditures

Our capital spending for the year totaled $62 million. Our capital spending by spend category included $35 million for maintenance infrastructure and intangibles and $27 million for expansion and upgrades.

Share Consolidation

On November 12, 2020, we implemented a 20:1 share consolidation which resulted in 13,459,593 common shares outstanding as at December 31, 2020.

Amendments to Senior Credit Facility

On April 9, 2020, we amended our Senior Credit Facility to obtain certain covenant relief from our lenders through March 2022.

See *Capital Structure – Material Debt – Senior Credit Facility*, on page 25.

Debt Repayment

Our 2020 targeted debt reduction range was $100 million to $150 million. During 2020, we retired the remainder of our 2021 Notes with total redemptions of US$88 million. During the year, we also repurchased and cancelled US$3 million of the 2021 Notes, US$59 million of the 2023 Notes, US$44 million of the 2024 Notes, and US$22 million of the 2026 Notes (as defined below). We ended 2020 with a total of $171 million of debt reduction, exceeding the high end of our targeted range by $21 million.

See *Capital Structure – Material Debt*, on page 25.

Technology Initiatives

As at December 31, 2020 Precision had 39 Alpha™ Rigs throughout North America, which are fully digitally-enabled, pad-walking AC*Super Triples* equipped with AlphaAutomation™ and a platform to deploy AlphaApps™ and AlphaAnalytics™.

Normal Course Issuer Bid

On August 27, 2020, we renewed our NCIB through the facilities of the TSX and NYSE. In 2020, we repurchased and cancelled 420,588 common shares (on a post-consolidation basis) for approximately $11 million. These repurchases were funded from cash flow and account for approximately 3.5% of our available public float.

U.S. Directional Drilling

In March 2020, we suspended our directional drilling operations in the U.S.

Board of Directors

On May 14, 2020, Mr. Allen R. Hagerman retired from the Board.

2019

Industry Conditions

2019 was highlighted by extreme volatility in oil and natural gas prices, particularly in the Canadian market. In the U.S., WTI oil prices averaged US$57.07 per barrel and Henry Hub natural gas prices averaged US$2.56 per MMBtu, levels supporting unconventional resource development. However, an uncertain outlook on oil prices and stringent focus on free cash flow encouraged conservatism in customer spending, leading to a significant industry decrease in rig count late in the year. In Canada, acute pipeline takeaway shortfalls and continued uncertainty in regulatory policy caused pressure on regional commodity prices and subsequent activity levels, particularly at the beginning of the year.

Capital Expenditures

Our capital spending for the year totaled $161 million. Our capital spending by spend category included $40 million for maintenance, infrastructure and intangibles and $121 million for expansion and upgrades.

Debt Repayment

Our initial 2019 targeted debt reduction range was $100 million to $150 million and was increased to $200 million mid-year. During the year, we redeemed US$75 million principal amount of the 2021 Notes, and repurchased and cancelled US$5 million of the 2023 Notes, US$43 million of the 2024 Notes, and US$30 million of the 2026 Notes. We ended 2019 with a total of $205 million of debt reduction, exceeding the high end of our original targeted range by $55 million.

See *Capital Structure – Material Debt*, on page 25.

Technology Initiatives

During the year, we rebranded our technology segment as Alpha™ technologies, which consists of our AlphaAutomation™, AlphaApps™ and AlphaAnalytics™ offerings. In November, we reached a critical milestone and announced full commercialization of our 32 AlphaAutomation™ systems deployed throughout North America.

Normal Course Issuer Bid

On August 27, 2019, we commenced the implementation of a NCIB through the facilities of the TSX and NYSE. For the year ended December 31, 2019, we repurchased and cancelled 824,102 common shares (on a post-consolidation basis) for $26 million. These repurchases were funded from cash flow and accounted for 5.6% of our available public float.

Divestiture of Non-Core Assets

During the year, Precision carried out the divestiture of several non-core assets, which generated proceeds of approximately $91 million in 2019. Notable divestitures included: five idle drilling rigs in Mexico, our snubbing units and our water treatment assets.

Amendments to Senior Credit Facility

On November 22, 2019, we amended our Senior Credit Facility to extend the maturity by one year, to November 2023.

See *Capital Structure – Material Debt – Senior Credit Facility*, on page 25.

Rig Fleet Additions and Upgrades

On July 1, our sixth new-build rig in Kuwait commenced drilling, backed by a five-year contract. In the U.S., we also completed the delivery of a new-build AC *Super Triple* rig early in the first quarter of 2019, a full SCR to AC *Super Triple* conversion, several pump capacity and pad walking-system upgrades and further deployment of our Alpha™ technologies offering.

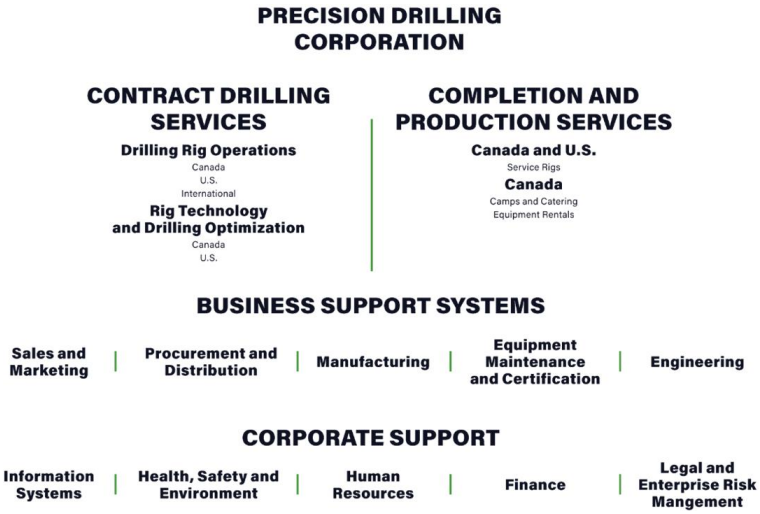
Asset Decommissioning

In 2019, we decommissioned certain drilling rigs and ancillary equipment that no longer met our *High Performance* standards for a loss of $20 million. This included the 22 rigs that were held for sale during the course of the year.

OUR BUSINESS

BUSINESS SEGMENTS OVERVIEW

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



The following tables summarize our two business segments and the scope of our services:

CONTRACT DRILLING SERVICES

Operates our drilling rigs in Canada, the U.S. and internationally and provides onshore well drilling services to exploration and production companies in the oil and natural gas industry.

At December 31, 2021, the segment consisted of:

- 227 land drilling rigs, including:
  - 109 in Canada
  - 105 in the U.S.
  - 6 in Kuwait
  - 4 in Saudi Arabia
  - 2 in the Kurdistan region of Iraq
  - 1 in the country of Georgia
- engineering, manufacturing and repair services, primarily for Precision's operations
- centralized procurement, inventory, and distribution of consumable supplies for our global operations
- diverse offerings from our Alpha™ technologies including:
  - 47 Alpha™ rigs with commercial AlphaAutomation™
  - 18 AlphaApps™, 16 of which are commercial
  - Deployed commercial AlphaAnalytics™ offering
- wide array of offerings from our EverGreen™ suite of environmental solutions:
  - Battery Energy Storage System (**BESS**) and real-time fuel/emissions monitoring capabilities currently offered across North America
  - 4 grid power capable rigs
  - 60 natural gas or bi-fuel rigs

Canada	▪land drilling services ▪procurement and distribution of oilfield supplies ▪manufacture and refurbishment of drilling and service rig equipment
U.S.	▪land drilling services ▪turnkey drilling services ▪procurement and distribution of oilfield supplies ▪manufacture and refurbishment of drilling and service rig equipment
International	▪land drilling services

COMPLETION AND PRODUCTION SERVICES		
Comprises a number of businesses providing completion and workover services and ancillary services to oil and natural gas exploration and production companies in Canada and the U.S. At December 31, 2021, the segment consisted of: ▪ 123 registered well completion and workover service rigs, including: – 113 in Canada – 10 in the U.S. ▪ more than 1,900 oilfield rental items, including surface storage, small-flow wastewater treatment, power generation, and solids control equipment, primarily in Canada ▪ 109 wellsite accommodation units in Canada ▪ 943 drill camp beds, 822 base camp beds and three kitchen diners in Canada	Canada	▪ well completion and workover service rigs ▪ camp and catering services ▪ oilfield surface equipment rental ▪ wellsite accommodations
	U.S.	▪ well completion and workover service rigs

Revenue

Year ended December 31 *(thousands of Canadian dollars)*		2021		2020
Contract Drilling Services	$	877,943	$	861,202
Completion and Production Services		113,488		77,251
Inter-segment eliminations		(4,584)		(2,700)
Total revenue	**$**	**986,847**	**$**	**935,753**

CONTRACT DRILLING SERVICES

Precision Drilling

At the end of 2021, we had a large fleet of land rigs deployed in Canada, the U.S. and internationally:

- **Canada** – we operated the largest fleet of land drilling rigs in country. At year end, we were marketing 109 drilling rigs located throughout western Canada, accounting for approximately 22% of the industry's estimated fleet of 488 land drilling rigs.
- **United States** – At year end, we were marketing 105 land drilling rigs, the fifth largest fleet, representing approximately 6% of the country's estimated 1,849 total marketed land drilling rigs.
- **Internationally** – At year end, we were marketing six land drilling rigs in Kuwait, four in Saudi Arabia, two in the Kurdistan region of Iraq, and one in the country of Georgia.

Drilling Contracts

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

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

In 2021, we had an average of 36 drilling rigs (23 in the U.S., seven in Canada and six internationally) working under term contracts. Utilization days from term contracts was approximately 37% of our total contract drilling utilization days for the year.

We market our drilling rigs mainly on a regional basis through sales and marketing personnel. We secure contracts to drill wells either through competitive bidding or as a result of business development efforts 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
- charge the customer a fixed rate per day regardless of the number of days needed to drill the well
- charge the customer a fixed rate per day or a lump sum amount to mobilize the rig to the well site location, rig-up, rig-down and demobilize the rig to a secure site, and
- generally, we do not bear any of the costs arising from downhole risks or loss of reserves.

We also drilled a small number of wells near the U.S. Gulf Coast (approximately 1% of our U.S. rig utilization in 2021) 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 those contracts 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 may limit the movement of heavy oilfield equipment and reduce the level of drilling and well servicing activity primarily 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 usually begins late in the fourth quarter. Our business activity depends, in part, on the severity and duration of the winter drilling season. See *Risks in our Business*, starting on page 30.

Competition

The land drilling industry is highly competitive and fragmented with the top five providers owning approximately 44% of the marketed rig fleet in the U.S. and approximately 72% of the industry fleet in Canada as of December 31, 2021.

Since 2014, the five largest U.S. drillers have increased market share of active rigs from approximately 42% to 60% today, as operators continue to pursue the highest performing rigs with digital offerings from contractors that have appropriate scale and technology.

Technology has increasingly differentiated the market, as customers transition away from vertical wells to more complex directional and horizontal drilling programs that require higher capacity rigs. Consequently, the rig market has been shedding older, low technology rigs in favour of more powerful and efficient, high specification rigs better suited for horizontal wells and resource development programs. Increasingly, digital technologies and rig-based software are becoming enablers of efficiency, and as a result, are in demand from our customers.

Competitive Strategy

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

We keep customer well costs down by maximizing operating efficiency and minimizing environmental impact in several ways:

- using innovative and advanced drilling technology that is efficient, reduces costs and minimizes impact on the environment
- having equipment that is geographically dispersed, reliable and well maintained
- monitoring our equipment to minimize mechanical downtime
- managing operations effectively to keep non-productive time to a minimum
- staffing well trained crews, with performance measured against defined competencies
- incentivizing our executives and eligible employees based on performance against safety, operational, employee retention, strategic and financial measures, and
- employing industry leading alternative rig energy sources and fuel monitoring to reduce emissions and cost.

We have a footprint in all of the most active North American resource plays, including the Bakken, Cardium, Duvernay, Montney, Viking and other heavy oil formations in Canada and the Bakken, Cana Woodford, Eagle Ford, Granite Wash, Haynesville, Marcellus, Mid-Continent, Niobrara, Permian, Utica and Williston in the United States.

Drilling Fleet

We focus on providing efficient, cost-reducing drilling technologies that seek to minimize environmental impact. Design innovations and technology improvements, such as multi-well pad capability and rapid mobility between wells, capture incremental time savings during the drilling process. Precision has invested over $3 billion in its drilling rig fleet since 2010, adding over 125 *Super Series* drilling rigs during the period. With one of the newest and most technically capable fleets in North America and the Middle East, Precision's *Super Series* rigs have been designed for industrial-style drilling: highly efficient, mobile, safe, controllable, upgradable; and able to act as a platform for digital and emission-reducing technology delivery to the well location. Precision has completed relatively low dollar cost upgrades over the past several years, including additions of walking systems, higher pressure and capacity mud pumps, increased setback capacity and AlphaAutomation™ and AlphaApps™ technology. Precision's *Super Series* drilling rig fleet meets the industrial-style drilling requirements of our customers in North America and deep, high-pressure/high-temperature drilling projects internationally. As of December 31, 2021, we had 227 *Super Series* rigs in our fleet.

Alpha™ Technologies

Precision is a leading provider of digital technologies that automate key processes of the drilling cycle and significantly improve the efficiency of the downhole function. We partner with various industry leaders to develop a widespread portfolio of technology offerings which include: AlphaAutomation™, AlphaApps™ and AlphaAnalytics™. To date, Precision has drilled over 2,100 wells with AlphaAutomation™, which includes approximately 765 wells drilled in 2021, enhancing the performance and value of its *Super Triple* drilling rig fleet. As at December 31, 2021, the Company had 47 AlphaAutomation™ systems commercialized across various basins in the U.S. and Canada, which support an open platform to host multiple in-house, customer-developed or third-party applications. Precision currently has 18 AlphaApps™, 16 of which are commercial, and offers our AlphaAnalytics™ data services to further enhance the value proposition of our digital offering.

EverGreen™ Suite of Environmental Solutions

In 2021, we launched our EverGreen™ suite of environmental solutions, bolstering our commitment to reduce the environmental impact of oilfield operations. Our EverGreen™ suite of environment solutions is comprised of EverGreenMonitoring™, EverGreenEnergy™ and EverGreen™ Fuel Cell. We aim to provide the cleanest, most efficient and most cost effective rig power sources for our customers through our EverGreenEnergy™ offerings, and our EverGreen Monitoring™ systems deliver the fuel and emissions data that allow our customers to see their gains in real time. We tested, field hardened, and implemented our BESS and fuel monitoring system in 2021, and have multiple commercial agreements in place for each of these technologies for installation on customer locations in the first quarter of 2022. See page 14 for additional information on our EverGreen™ suite of environmental solutions.

International

Grey Wolf International (**Grey Wolf**) is our platform and market brand for our international oil and natural gas drilling market. Grey Wolf is active in Kuwait and the Kingdom of Saudi Arabia and continues to explore opportunities in various additional 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.

Manufacturing

Based in Calgary, Alberta, Rostel Industries manufactures drilling rigs and equipment and refurbishes components for our drilling and service rigs as well as third parties. Rostel Industries supports our vertical integration, and approximately 78% of its revenue in 2021 was related to Precision business. Having the in-house ability to repair and provide new components for our drilling and service rigs improves the efficiency and reliability of our fleets.

Oilfield Supply

Columbia Oilfield Supply in Canada and Precision Drilling Oilfield Supply in the U.S. utilize general oilfield supply warehouses that procure, package and distribute large volumes of consumable oilfield supplies for our rig sites. Our 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 Precision Drilling Oilfield Supply play a key role in our supply chain management. In 2021, 95% of Columbia Oilfield Supply and 100% of Precision Drilling Oilfield Supply activities supported Precision operations. These operations leverage our procurement volumes to lower costs and reduce the administrative workload for field personnel, enhancing our competitiveness.

Employees

The market for experienced personnel in the oilfield services industry can be competitive due to the cyclical nature of the work, the uncertainty of continuing employment, and generally higher employment rates during periods of high oil and natural gas prices and drilling activities. We strive to position ourselves for increased activity while maintaining performance excellence through our safety performance and reputation. These factors help us attract and retain experienced, well-trained employees when the industry experiences crew shortages during peak operating periods.

Throughout the year, we continued to assess our workforce and focused on recruitment of personnel to fill technical roles that drive our drilling optimization and Alpha suite of technologies. In 2021, we had an average of 3,350 employees, with a high of 3,900 and a low of 3,000.

Bench Strength and Recruiting

We utilize proven formal procedures to retain key drilling personnel (including drillers, rig managers, and field superintendents) during reduced drilling activity periods. Drillers are often temporarily repositioned to lower positions as a floorhand and return as a driller once drilling activity increases. This practice allows us to meet drilling demand and retain qualified employees. We also rely on our industry-leading recruiting programs to attract new drilling personnel. Our initial recruiting focus for these entry-level positions is outreach to our alumni's extensive network, supplemented by job postings and other recruiting efforts that attract

industry personnel as well as new people to the oilfield services industry. New drilling personnel receive intensive onboarding and training. You can read about our approach to *Talent Management* on page 16.

Technical Support Centres

We operate two contract drilling technical centres, one in Nisku, Alberta and one in Houston, Texas, and one completion and production technical centre in Red Deer, Alberta. These centres accommodate our technical service and field training groups and consolidate field support and training for our operations. The Houston and Nisku facilities have fully-functioning training rigs with the latest drilling technologies. Also, our Houston facility accommodates our rig manufacturing group. In 2021, we trained more than 3,200 people at our technical centres.

Our Global Field Competency Program ensures that our field operations employees obtain competency levels for their current position and potential future positions. The program defines specific skills and learning pathways for certain jobs and identifies any skill gaps that an individual employee is required to remedy. The Global Field Competency Program supports our broader corporate vision and strategy by ensuring our drilling personnel provides *High Performance, High Value* series to our customers. In 2021, we completed 200 competency assessments throughout North America.

COMPLETION AND PRODUCTION SERVICES

Precision Well Servicing and Precision Completion and Production Services

Precision offers a versatile fleet of service rigs for well completion, workover, abandonment, maintenance and re-entry preparation services. The fleet is strategically positioned throughout western Canada and in the northern U.S.

Well Service Activities

Well servicing jobs are typically of short duration and generally conducted during daylight hours, so it is important for a service rig to be close to customer demand and be able to move quickly from one site to another. Well servicing requires a unique skill set as crews must deal with the potential dangers and safety concerns of working with pressurized wellbores. Completion and workover 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 2021, Precision Well Servicing had an industry leading market share in Canada, based on operating hours, of approximately 11% of total industry operating hours. The total Canadian industry fleet average is approximately 628 service rigs. Our fleet of 113 service rigs is the largest in western Canada.

Precision has an additional 75 well completion and workover service rigs in Canada that are not registered with the industry association.

In 2021, Precision Completion and Production Services operated 10 service rigs in the United States.

Service Rig Fleet

The table below shows the configuration of Precision's marketed well servicing fleet as at December 31, 2021. The fleet's operating features are detailed on our website.

Type of Service Rig	Size/Capability	Total
Mobile Rigs		
▪Highly mobile, efficient rig up and rig down, minimal surface disturbance, freestanding design eliminates anchoring	Single	51
	Double	53
▪Freestanding rigs comprise 90% of the fleet	Slant	9
Skid Mounted Rigs		
▪Designed for deeper wells with multi-zone completions or re-completions, service jobs are generally of longer duration so rigs move less often	Double	10
Total[1]		123

1 Does not include 75 additional rigs in Canada that are not registered with the Canadian Association of Energy Contractors (**CAOEC**).

Service Rig Activities

Well servicing operations have two distinct functions – workovers and abandonments, and 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 2021:

- workovers and abandonments accounted for approximately 86%
- completions accounted for approximately 14%.

Workovers and Abandonments – 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.

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

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

Precision Rentals

Precision Rentals provides more than 1,900 pieces of oilfield rental equipment for rental to customers from three operating centres and 12 stocking points throughout western Canada, supported by a technical service centre in central Alberta.

Precision Rentals has four 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)
- power generation equipment, and
- solids control equipment.

Precision Camp Services

Precision Camp Services provides food and accommodation to personnel working at remote locations in western Canada. At the end of 2021, Precision Camp Services had 41 drill camps and base camp dormitories along with kitchen or diners to accommodate 822 people in western Canada. Each drill camp includes six building units that typically accommodate 20 to 25 members of rig crew and other personnel and, if required, individual dormitory units that accommodate up to 44 additional personnel can be added.

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.

CORPORATE RESPONSIBILITY

ESG in All We Do

In 2021, we continued to focus on the areas determined to be material to Precision in the 2020 materiality assessment review cycle. We focused our efforts on adopting proactive and sustainable means to ensure ESG is accounted for in all that we do. Foundational elements were put in place to drive these efforts for years to come through the creation of our "E" (Environmental) and "S" (Social) teams comprised of high-performing employees to drive environmental and social efforts in the organization. We also aligned our second annual Corporate Responsibility Report, found on the Sustainability section of our website, with the Sustainability Accounting Standards Board (**SASB**) and Task Force on Climate Related Financial Disclosures (**TCFD**) frameworks.

In addition to the health, safety and environmental (**HSE**) performance targets that have been included in our short-term incentive plan (**STIP**), over the past several years, we expanded the impact of our Corporate Responsibility goals of the plan to include requirements focused on implementation of technology and initiatives to reduce our environmental footprint and those of our customers. All salaried, non-exempt employees are eligible for the STIP program, creating a stronger incentive for our employees to take ownership in the success of these efforts. One of these new metrics included reaching a minimum reporting alignment of 65% to SASB and TCFD frameworks; however, we exceeded this target by achieving 81% alignment with the applicable elements of these standards in our 2020 Corporate Responsibility Report (published July 2021).

With the importance of ESG, as well as the growing depth and complexity of related information, we have made a shift to include the majority of our ESG-related sharing and disclosure in our annual Corporate Responsibility Report, typically released in the second quarter each year. Select highlights and summary materials are included in our annual disclosure documents, and we encourage our stakeholders to watch for the release of our 2021 Corporate Responsibility Report in the coming months for full details on our efforts and results.

Our Commitment to Corporate Responsibility

In 2021, we continued to deliver on our multi-year corporate responsibility practices by developing and completing the following initiatives:

- substantially aligned the annual Corporate Responsibility Report with TCFD and SASB reporting frameworks
- created the "E" and "S" Teams comprised of high-performing employees focused on driving intentional environmental and social efforts within the organization and with our customers
- expanded ESG in our STIP scorecard by adding targeted environmental and social metrics
- created and launched the EverGreen™ product line to brand and differentiate our products and technologies aimed at reducing environmental impact
- refined emissions data gathering and calculation processes
- embarked on a journey to recruit an additional female director
- continued our long-term strategic alliance with *Shock Trauma Air Rescue Services* (**STARS**) in Canada
- increased volunteer hours year over year
- implemented an ongoing formal work from home program for our office-based employees
- conducted a core value survey to drive employee ownership of our values and direction
- enhanced our crisis management capabilities with the addition of a ransomware cyber response playbook

ESG Materiality

In 2021, we maintained our focus on the following areas, identified during the 2020 materiality assessment review cycle:



ENVIRONMENT

Target Zero and Climate Change Stewardship

Our Health, Safety and Environmental strategy continues to guide us toward Target Zero – zero impact to our employees, the environment, and to the communities in which we operate. We recognize climate change as an important global risk and we actively monitor developments that have the potential to impact our business, our customers, and the environment.

In 2021, we refined our internal emissions gathering and calculation processes to accurately capture greenhouse gas (**GHG**) emissions resulting from our operations and equipment. This data is being used to identify opportunities to reduce emissions through efficiency gains, alternate forms of energy, and hydrocarbon fuel use reductions across our operations.

While many operational decisions are still within the control of our customers, we have focused a significant amount of our internal resources on developing technology that will ensure that the safest and most environmentally friendly drilling options will also be the best financial options for our customers. This focus has resulted in an unprecedented adoption of our Alpha™ technologies that improve drilling efficiency, as well as our new EverGreen™ suite of environmental solutions such as BESS and real time fuel consumption and emissions monitoring equipment.

Environmental goals played a much larger role in our STIP than ever before, with challenging targets laid out for our operations, technical, and marketing teams. For 2021, these included:

STIP Target Area	Results
Develop and implement GHG emission monitoring / quantification systems	3 systems developed and deployed in the field, including real-time monitoring dashboards
Implement lower carbon power systems or technologies	2 lower carbon power systems developed and deployed in the field, with additional systems contracted for deployment in early 2022
Launch and commercialize environmental solutions brand, including marketing strategy around ESG efforts	Development and launch of EverGreen™ suite of environmental solutions; official press release announcing creation of “E” Team and EverGreen™; 49 ESG-focused social media posts
Initiate environmental initiatives targeting company facilities, fleet, or controlled operations	Initiated LED lighting project for Nisku Drilling Support Center for installation in 2022 to significantly reduce facility energy use; Implemented recycling program at Calgary office location

Alpha™ Technologies

Precision finished 2021 with 47 AC *Super Triple* Alpha™ rigs equipped with our AlphaAutomation™ platform, a 26% increase from the beginning of 2021. Our fourth quarter paid AlphaApp™ days increased 50% compared with the third quarter of 2021 and 490% compared to the fourth quarter of 2020. Precision added Alpha™ capabilities to 17 additional rigs in 2021. This growth in our Alpha™ product line directly impacts the environmental footprints of our customers by consistently reducing drilling days, engine run time, and associate emissions.

EverGreen™ Suite of Environmental Solutions

Precision’s EverGreen™ suite of environmental solutions was launched in 2021, differentiating our new and existing products specifically aimed at quantifying and reducing the environmental impact of drilling operations at the wellsite.

As part of our EverGreenEnergy™ sub-product line, our BESS technology was field-tested and validated to provide significant reductions in hydrocarbon fuel use, and in turn a similar reduction in emissions and fuel cost. This successful testing resulted in customer agreements for three BESS units scheduled for deployment in the first quarter of 2022, and several additional pending commitments expected by mid-year.

We also completed testing and field-hardening of our Integrated Power & Emissions Fuel Monitoring System, part of our EverGreenMonitoring™ sub-product line, which is capable of measuring and communicating real-time wellsite GHG emissions. By the end of the first quarter of 2022, we expect to have eight Integrated Power & Emissions Monitoring Systems deployed, providing our customers with real-time insight into the correlation between power demand, fuel consumption, and resulting GHG emissions throughout the well construction process. Capturing and analyzing this data across different rigs, well profiles, engine types, and geographic areas will meaningfully improve both Precision’s and our customers’ understanding of the variability of land drilling GHG emissions and help operate power generating equipment with optimal fuel consumption and carbon footprint efficiency.

SOCIAL

Our Corporate Culture

Our commitment to providing a work environment where employees feel safe, respected, satisfied, and appreciated is our highest priority. We understand the importance of building a culture that will provide Precision with a competitive advantage over not only our direct oilfield service peers, but other employers in the geographies where we operate. To foster our culture, we have intentionally developed the “S” team of Passionate People who bring a wide range of ideas, perspectives, skills, and cultures to our company.

Our Board champions and holds management accountable for our highly collaborative culture through active oversight and input on initiatives driven by management. Annually, we conduct focus group sessions and culture surveys with our employees in the field and in our corporate offices. During these focus groups, we gather information on our employee’s experience and get feedback on our strengths and key areas of focus. These are summarized, action plans are created, and we annually report a summary of our efforts to the Board. In 2021, over 1,200 employees participated in this process.

Our Core Values and Key Beliefs

Our Core Values and Key Beliefs successfully promote a culture of integrity and accountability. By creating a feeling of personal ownership and a culture of hard work, innovation and productivity, our Core Values and Key Beliefs encourage an environment that brings out the best in each of us. Our Core Values drive our culture, as they are foundational to how we approach our business. From the top down, the commitment to these values helps ensure we are moving in the right direction with a ‘Down to Earth’ common sense purpose among our employees.

Our Key Beliefs are fundamental to how we operate. They are how we want our employees to act, interact, and be perceived. We encourage our employees to personify and validate our Key Beliefs, as they set the high expectations we expect at all levels of our company, both in the field and in our corporate offices. The Key Beliefs are defined so that they recognize the intelligence and maturity levels of our organization and provide a fundamentally strong set of positive guidelines for our employees to embrace and abide by no matter the circumstances.

Employee Safety and Training

Employee safety is embedded in all that we do at Precision, from job planning and management of change to the critical task assessments and safety observations our employees perform onsite every day. We deliver *High Performance* and *High Value* service to our customers without compromising the health and safety of our employees or those in the communities in which we work.

Precision’s commitment to provide world-class comprehensive training and development to our employees can be seen through the extensive instructor-led and virtual courses delivered. In 2021, over 2,400 employees were trained on Precision’s culture, rig roles and responsibilities, well control, tools, and equipment, HSE standards, leadership, and communication. A specific focus on new employee development is driven through our Short-Service Employee (**SSE**) program, which is catered to rig-based employees with low levels of experience to ensure they are well positioned for success at Precision.

During the first six months with Precision, these employees are paired with a mentor and put through various tasks under supervision to ensure they adapt to our culture, develop a safety-first mentality, and enable them to perform their duties to the best of their ability. In 2021, we dedicated 1.5 million hours of training to approximately 1,200 SSEs.

Employee Wellness

Employees are provided tools to care for their mental and physical health. Precision offers competitive benefit packages to all eligible employees throughout the organization, including health, vision, and dental plans. We also offer a multitude of formal programs to assist employees in achieving physical, mental, and financial well-being, including our Employee Assistance Program that provides confidential counseling for personal issues, financial planning resources, beneficiary financial counseling, will preparation and legal assistance.

Diversity and Inclusion

Employee Diversity & Inclusion

Delivering strong operational and financial results in today’s environment require the expertise and positive contributions of every Precision employee. We seek to bring a diverse range of thoughts, experiences, and points of view to complement our strategy and decision-making process. Therefore, we have made a commitment to be an inclusive workplace free from discrimination, harassment, workplace violence and retaliation. Our diversity and inclusion policy prohibits discrimination of any kind and promotes diversity and inclusivity among our employees, management, and the Board.

Each year our employees are required to participate in and complete courses on Diversity, Equity, and Inclusion, and Discrimination and Harassment. In 2021, our trainings were completed by approximately 3,900 employees, globally.

Management Diversity

Increasing diversity at the management level is essential to maintaining our competitive advantage and is a factor in managing our talent pool and making strategic hires.

The executive leadership team reviews the talent pool regularly and considers the individual's development, industry experience, background, race, gender, and other factors before recommending executive appointments to the Board for approval. The Board also considers the representation of women and geographic diversity, amongst other factors, in executive positions when reviewing the management succession plan and approving executive appointments. We do not have specific gender targets as we believe merit of the candidate and needs of the organization must be paramount.

Board Diversity

When recruiting new directors, the CGNRC considers candidates on merit. It considers our vision and business strategy, the skills and competencies of the current directors, any gaps in Board skills, and the attributes, knowledge and experience new directors should have to best enhance our business plan and strategies. The CGNRC also considers diversity as part of this process, including the level of female representation on the Board. When assessing Board composition or identifying suitable candidates for appointment to the Board, the CGNRC will include a slate of minority candidates for all open Board seats.

This year the Board has committed to recruit an additional female director by the end of 2022. We believe that this is an important step in increasing diversity in our Board.

Reporting and Accountability

The Human Resources department reviews the structure, size, pay equity and composition of our workforce annually and prepares a report for the Chief Administrative Officer and the Chief Executive Officer. Similarly, the executive leadership team meets regularly to assess its optimum composition, and annually provides a report to the CGNRC.

The CGNRC also monitors Board diversity and prepares an annual report for the Board that includes information about factors to consider when recruiting new directors.

Talent Management

Events of the previous two years have created a challenging labor market. We strive to recruit and retain high-performing, Passionate People throughout every level of our company. Precision has responded with strategic recruitment marketing efforts both in the field and for our corporate support roles. We have also worked hard during this period to ensure the value proposition we provide in the ways of pay and benefits remains competitive and engages our employees. We have implemented systems and processes that help us execute our talent management strategy to maintain a well-trained, highly competent, and capable talent pool, both in the field and corporate positions with a broad range of business experience throughout market cycles as well as during the COVID-19 pandemic where in-person development was difficult. As an example, our Learning and Training departments have utilized our communications platforms and internal learning systems to find inventive ways to provide learning and development opportunities leveraging our in-house technical expertise.

University Internship Programs

In 2021, we were excited to bring back our internship program after a year off in 2020 due to COVID-19. Precision initiated industry exposure efforts by broadening students' technical education and familiarity with our industry through Career Days. In 2021, we hosted 20 interns from over 13 universities working in Canada and the U.S., with nationalities represented from North and South America, Western and Southern Africa, Southeast Asia, and Northern Europe. We believe our internship program provides an important talent pool for our future permanent hires and provides participants with practical experience that cannot be obtained in the classroom and is an excellent introduction to the oil and natural gas industry.

Philanthropy and Community Engagement

We are proud to invest in causes that are important to our employees, customers, and the communities where we operate. Throughout 2021, our corporate giving program, "PD Cares" contributed to several exceptional health and human services organizations and youth programs. Due to the COVID-19 pandemic, our community engagement opportunities have been limited compared to previous years.

As part of our employee engagement strategies, we offer company-supported social activities to promote philanthropy and community engagement collaboration, work-life balance, and interaction with the families of our employees. We also hold annual wellness campaigns to support the health and well-being of our employees and hold ticket draws to concerts, sporting events, and other entertainment events to provide employees with social opportunity incentives.

For over 30 years, one of our proudest partnerships in Canada has been with the STARS Foundation which provides rapid and specialized emergency care and transportation for critically ill and injured patients. STARS operates 24/7 bases in Calgary,

Edmonton, Grande Prairie, Regina, Saskatoon, and Winnipeg which are well aligned to provide critical support to remote field operations and employees both on and off the job residing across Western Canada.

In 2021, we also continued our multi-year partnership with the *Heritage Park Society of Calgary* to support the Natural Resources Project, "Keeping Alberta's Story Alive." The Heritage Park Society restores, builds, and creates programs in the Natural Resources Area for the education of nearly 700,000 annual attendees and students at Heritage Park.

Industry Engagement

Our commitment to the energy industry is evidenced by our participation in several non-profit organizations, such as the CAOEC, International Association of Drilling Contractors (**IADC**), the Modern Miracle Network and the Fraser Institute.

- Kevin Neveu is an active member of IADC's Executive Committee, serving as Chairman in 2019. Mr. Neveu is also a member of the advisory council for the School of Public Policy at the University of Calgary, influencing the strategic approach to public policy in Canada.
- Gene Stahl, our Chief Marketing Officer, has served on IADC's board and Executive Committee since January 2020.
- Ross Pickering, Senior Vice President, Global Operations Excellence has been a Director of CAOEC for 13 years and served as Chairman of CAOEC from 2012 through 2014. He is currently CAOEC's Vice Chairman and Incumbent Chairman until 2022. Mr. Pickering also joined the Board of Directors for Energy Safety Canada in 2021.
- In 2021, Darren Ruhr, Chief Administrative Officer, began serving as co-chair of IADC's Cybersecurity Committee.

Since 2018, we have supported the Modern Miracle Network in their efforts to promote Canada as a leading economic partner and responsible energy supplier to the world. Since 2014, we have also partnered with the Fraser Institute to influence Canadian social policy and government accountability.

Indigenous Relationships

Precision recognizes the history and diversity of indigenous peoples. Our relationships help create opportunities and deliver outcomes beneficial to our Indigenous partners, the communities in which we all live, and our customers. Precision strives to support local Indigenous communities through ongoing engagement, employment, and mutually beneficial business opportunities. Precision currently has a number of successful relationships with Indigenous nations across Western Canada, including joint venture, collaboration, and benefits agreements.

GOVERNANCE

Corporate Governance, Ethics & Compliance

As we strive for sustainable operations, we work to be financially, environmentally, and socially responsible. At all times we are guided by our Core Values, Key Beliefs, and strong corporate governance principles. We remain committed to ethical behavior through our Code of Business Conduct (the **Code**), and our employment policies and practices. The Board and our external and internal auditors provide oversight and ensure compliance throughout our organization. To sustain the trust of our stakeholders, we remain committed to promoting Board independence, proactive shareholder engagement, risk management and ethics and integrity principles.

Governance Guidelines

Our Corporate Governance Guidelines outline the composition, structure, procedures, and policies that guide our Board. These guidelines are reviewed annually and serve as a guidepost for the Board. Topics pertaining to corporate citizenship, governance and corporate responsibility are also routinely reviewed at meetings of the Board and its committees.

Our Code of Business Conduct and Ethics

We believe ethical behavior is fundamental to the way we do business. Our Code ensures every director, executive officer, manager, employee, and contractor is aware of Precision's values. The full text of the Code is available on the Corporate Governance section of our website.

We have a robust, proven corporate governance system that is effective in ensuring a transparent culture. It allows for ethical issues to be reported, assessed, and resolved in a timely manner. This system employs a strong body of policies, enforcement mechanisms and a closed-loop resolution process of issues that are reported.

The Code addresses the following key areas, among others:

- financial reporting and accountability
- maintaining confidentiality
- avoiding conflicts of interest
- complying with laws
- safeguarding corporate assets
- reporting illegal or unethical behavior
- fair dealing
- disclosure
- anti-retaliation
- data and privacy security
- bribery and corruption
- harassment and discrimination

Every director, executive officer, manager, and employee must annually acknowledge that they have read, understood, and will abide by the Code. Each member of the senior management team must also certify quarterly whether they are aware of any breaches of the Code. In-person and online training is provided annually to all permanent employees and covers an array of topics related to business conduct and ethics.

PD *EthicsLine*

The PD *EthicsLine* is available for anyone within or outside of Precision to confidentially and anonymously report any suspected illegal or unethical conduct or breach of our policies. With the oversight of the Audit and HRCC Committees, there were no ethics incidents in 2021 that required disclosure and 100% of the issues reported through the PD *EthicsLine* were reviewed and resolved. An independent third party operates the PD *EthicsLine* and notifies the Chief Compliance Officer (**CCO**) immediately upon receiving a complaint.

Internal Policies

We work proactively to ensure our workforce and the Board understand their obligations to uphold our standards and the law when it comes to ethics and compliance. We have developed internal corporate policies, in addition to our Code, to guide our directors, officers, and employees in meeting our standards and fulfilling our responsibilities to our shareholders, governmental, and regulatory authorities, business partners and each other. The following are some of our internal policies that we have put in place to ensure compliance and to reflect our current business practices.

Human Rights

Precision respects Human Rights as a fundamental value. Our objective is to promote Human Rights throughout our organization, our customers, operations, and entities with which we do business. Our Compliance Department is responsible for the execution and maintenance of our Human Rights policy detailed in the Code.

Anti-Bribery and Anti-Corruption

We recognize that we operate in some countries with a low ranking on the Corruption Perception Index, as compiled by Transparency International. Precision has an Anti-Bribery and Anti-Corruption Policy that sets out the Company's standards for detecting and preventing corruption.

International Trade – Sanctions

Our international trade policies are designed to ensure compliance with applicable laws and regulations governing the export and import of Precision's products, services, software, and technology to areas where we conduct or plan to conduct business. Precision complies with all export control, sanctions, and hiring, of the countries where we operate. Precision also complies with the anti-boycott laws of the U.S.

Clawbacks

Our senior leadership team is held accountable for their decisions. As such, we have designed our compensation plan so any consequences stemming from our policies, employment agreements and incentive plans align with Precision's best interests.

Our Clawback Policy entitles us to recoup some, or all incentive compensation awarded or paid to our senior leadership team, including our Chief Executive Officer (**CEO**), both past and present, if:

- there was a restatement of our financial statements for a fiscal year or fiscal quarter when they were with Precision, or
- there was an error in calculating executive compensation during their time with Precision, or
- the member of the senior leadership team engaged in misconduct, including fraud, non-compliance with applicable laws and any act or omission that would entitle an employee to be terminated for cause.

The Policy applies to all forms of incentive awards including bonuses, restricted share units, performance share units and stock options.

Insider Trading

Our Insider Trading Policy applies to all directors, executive officers, managers, and employees. Reviewed annually by the CGNRC, the policy sets out our obligations to stock exchange, regulators, and investors; prohibits "tipping" of the purchase or sale of Precision shares while in possession of undisclosed material information.

Privacy

Precision has a Privacy Policy and our organization respects and is committed to protecting the privacy and security of all personal information collected by Precision. We recognize the importance of having effective privacy protections in place and are committed to complying with applicable privacy laws and regulations in our various jurisdictions, supplemented by our internal policies and standards.

Avoiding Conflicts of Interest

The Board is committed to making decisions in the best interests of Precision and considers the interests of our shareholders, other securityholders, customers, employees, suppliers, communities where we operate, the environment, governments, regulators, and the public. All of our employees and members of the Board are required to annually disclose any potential conflicts of interest. The conflicts disclosed are reviewed by our Audit and Compliance departments and resolved in accordance with the Code.

Public Policy & Lobbying

Precision is politically neutral and does not engage in political activities or make political contributions. We may not use company funds or assets for political purposes. However, we are active members of various associations that conduct lobbying on behalf of the oil and natural gas industry, and we allow lobbying on behalf of Precision's interests, in accordance with all federal and provincial regulations. The CEO must approve all such requests for financial support for these associations.

Enterprise Risk Management and Corporate Responsibility

Precision employs a comprehensive Enterprise Risk Management (**ERM**) program that proactively assesses material risks to the organization and manages several robust mitigation strategies. The Board performs timely review of all risk related matters, including assessment of the Company's internal Risk Matrix, and receives quarterly updates from its delegated internal Risk Committee.

Precision's ERM process is a continuous, thorough, and forward-looking evaluation of enterprise-level risks that could directly or indirectly impact the organization's ability to operate. The Company's designated Risk Committee manages an internally developed Risk Matrix, which, outlines all identified risks to the organization and their resulting compounding effects on other related challenges.

We acknowledge the Company's various corporate responsibility-related responsibilities when managing the ERM function. Precision continuously monitors various risks related to its ESG performance, specifically identifying several risks and mitigation opportunities for the following:

- Environmental impacts, including climate change, air and water pollution and energy efficiency
- Social factors addressing corporate culture, inclusiveness, and our world-class safety program, and
- Governance controls throughout the organization to ensure ethical conduct and transparency.

Supply Chain Management

Our Supply Chain provides essential support to our business operations and extends our commitment to corporate responsibility beyond our doorstep. We engage suppliers, consultants, and independent contractors to assist in running our global operations. These suppliers provide goods and services such as materials, equipment, construction, labor, transportation, office products and services, benefits administration, accounting, legal and engineering services. Our suppliers achieve high safety and ethical standards, offer innovative, value-added capabilities, understand our business, embrace quality procedures and processes, and offer superior technology, cost, or service advantages.

We expect all suppliers to comply with our Code. We emphasize our expectations of suppliers in areas of legal and ethical compliance; environmental, health, safety, and security; conflict minerals; conflict of interest; human rights; diversity; and compliance assurance.

Corporate Governance Material Available on Our Website

Our Corporate Governance Guidelines set forth our governing principles for an effective functioning Board. They are reviewed annually, revised in response to changing governance practices and requirements, and are posted on the Corporate Governance section of our website.

Other information related to the corporate governance of Precision is available on the Corporate Governance section of our website, including:

- Corporate Bylaws
- Board of Directors Charter
- Audit Committee Charter
- HRCC Charter
- Procedures for communicating complaints and concerns
- Code of Business Conduct and Ethics
- Audit Committee Charter
- CGNRC Charter
- Policy on Majority Voting

Board Oversight and Feedback

Our Board is engaged in overseeing our business strategies and related risks and opportunities, which includes all material ESG topics. Our committee structure facilitates oversite of issues that impact many areas of our business, including ESG. Annually, our Board reviews our Corporate Responsibility strategy, and every quarter management updates the HSE and Corporate Responsibility Council and the CGNRC on related efforts.

We believe in building a feedback-rich culture and encourage ongoing engagement with our employees, shareholders, and other stakeholders. Please contact us at **investorrelations@precisiondrilling.com** with your feedback.

CAPITAL STRUCTURE

COMMON SHARES

We can issue an unlimited number of common shares. At December 31, 2021, there were 13,304,425 common shares issued and outstanding.

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

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

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

Market for Securities

The table below summarizes the trading activity for our common shares in 2021 and the daily high and low price for our shares. 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	31.50	21.12	2,653,179	24.93	16.58	1,954,144
February	32.02	25.49	3,074,104	25.16	19.85	2,181,145
March	35.08	25.51	4,522,175	27.33	20.10	2,975,830
April	34.75	28.79	2,908,622	27.76	22.95	1,551,041
May	39.09	30.95	2,008,257	31.66	25.53	1,537,094
June	39.71	52.29	3,010,129	42.17	32.98	2,296,517
July	52.52	40.28	2,601,778	43.79	31.62	1,690,808
August	41.75	37.23	1,637,780	33.52	28.98	818,982
September	51.34	40.20	2,047,947	40.41	31.85	636,311
October	61.08	51.57	2,693,411	49.36	40.96	1,119,294
November	55.03	40.56	1,602,583	44.36	31.87	831,233
December	44.73	39.74	1,389,515	35.44	30.75	1,063,546

For information in respect of incentive awards to purchase common shares and common shares issuable upon exercise of awards, see the *Share Based Compensation* note to the 2021 audited Consolidated Financial Statements, which is incorporated by reference into this Annual Information Form and available on SEDAR at **www.sedar.com**.

Dividends

Subject to compliance with the Senior Credit Facility and the indentures governing our unsecured senior notes, the declaration and payment of future dividends, if any, and the amount of any dividends, will be in the sole discretion of our Board based on various factors and conditions from time to time, which may include our financial results, operations, outlook for commodity prices, future capital requirements and the satisfaction of the liquidity and solvency tests imposed by the *Business Corporations Act* (Alberta) for the declaration and payment of dividends.

Our Senior Credit Facility allows the payment of dividends as long as no default or event of default has occurred and if our pro forma senior net leverage ratio (as defined in the credit agreement) is less than or equal to 1.75:1.

During the Covenant Relief Period, as described on page 25, distributions are limited to US$25 million in 2021 and 2022, and are not permitted if the borrowings under the Senior Credit Facility exceed US$250 million.

The unsecured senior notes contain a restricted payments covenant that limits our ability to make payments in the nature of dividends, distributions and for share repurchases, unless otherwise permitted by the applicable indenture. The restricted payments basket grows from a starting point of October 1, 2018 for the 2026 Notes and July 1, 2021 for the 2029 Notes, by, among other things, 50% of cumulative consolidated net earnings, and decreases by 100% of cumulative consolidated net losses as defined in the note agreements, and cumulative payments made to shareholders. During 2021, pursuant to the indentures governing the unsecured senior notes, Precision used the available general restricted payments basket to facilitate the repurchase and cancellation of its common shares.

Based on our consolidated financial results as of December 31, 2021, the relevant restricted payments basket was negative $369 million, which limits our ability to declare and make dividend payments or share repurchases until the governing restricted payments basket becomes positive.

Normal Course Issuer Bid

On August 27, 2019, we implemented a NCIB through the facilities of the TSX and NYSE. We renewed the NCIB on August 27, 2020 and on August 27, 2021. The NCIB allows us to buy back up to 1,317,158 million common shares, representing 10% of our public float, by August 26, 2022. For the year ended December 31, 2021, Precision repurchased and cancelled 155,168 common shares for approximately $4 million. These repurchases were funded from cash flow and account for 1.2% of Precision's available public float.

Shareholder Rights Plan

On June 1, 2010, unitholders of Precision adopted a shareholder rights plan, simultaneously with the approval of the plan of arrangement to convert Precision Drilling Trust to a corporate structure. Precision shareholders confirmed the continuation of and revisions to the plan at the 2013, 2016 and 2019 annual and special meetings of shareholders. At Precision's 2022 Annual and Special Meeting of Shareholders, we plan to seek shareholder approval of the reconfirmation and continuation of our plan.

The plan is designed to protect the rights of all shareholders and maximize value if there is ever a take-over bid for Precision. Take-over bids can be coercive or discriminatory, or initiated at a time when it may be difficult for the Board to prepare an adequate response.

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

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

- qualifies as a permitted bid under our shareholder rights plan and therefore meets certain specified conditions (including a minimum deposit period of 105 days) and aims to ensure all shareholders are treated equally, or
- does not qualify as a permitted bid but is negotiated with us and is exempted from the shareholder rights plan because the offer can be bargained for agreed terms and conditions that we believe are in the best interests of Precision shareholders.

Term and Expiration

Our Shareholder Rights Plan expires on the Expiration Time, which is defined as the earlier of (i) the date the Rights (as defined below) are redeemed (the **Termination Time**) or (ii) the termination of the annual meeting of Precision shareholders in the year 2022.

Issue of Rights

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

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

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

Rights Exercise Privilege

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

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

Permitted Bid Requirements

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

- the bid must be made by way of a formal take-over bid circular under applicable securities legislation
- the bid must be made to all registered holders of Precision shares (other than the offeror)
- the bid must be subject to irrevocable and unqualified provisions that:
  - the bid will remain open for acceptance for at least 105 days from the date of the bid (or a shorter period as permitted by National Instrument 62-104)
  - the bid will be subject to a minimum tender condition of more than 50% of the Precision shares held by independent shareholders
  - shares may be deposited to the bid at any time from the date of the bid until the date the shares may be taken up and paid for and shares may be withdrawn until taken up and paid for, and
  - the bid will be extended for at least 10 days if more than 50% of the Precision shares held by independent shareholders are deposited to the bid (and the offeror shall make a public announcement of that fact).

A competing take-over bid that is made while a Permitted Bid is outstanding and satisfies all the criteria for Permitted Bid status, except that it may expire on the same date (which may be less than 105 days after the bid has started) as the Permitted Bid that is outstanding, will be considered to be a Permitted Bid for the purpose of our shareholders rights plan.

Permitted Lock-up Agreement

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

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

Certificates and Transferability

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

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

Waiver

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

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

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

Redemption

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

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

Exemptions for Investment Advisors, etc.

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

Directors' Duties

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

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

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

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, 2021, we had:

- US$118 million drawn and US$382 million available (excluding outstanding letters of credit of US$33 million) under the Senior Credit Facility
- US$348 million outstanding under the 2017 offering of 7.125% unsecured senior notes due in 2026 (the **2026 Notes**)
- US$400 million outstanding under the 2021 offering of 6.875% unsecured senior notes due in 2029 (the **2029 Notes**), and
- US$25 million under the U.S. and Canadian Real Estate Credit Facilities.

The following is a summary of the material terms of the Senior Credit Facility, operating facilities, real estate credit facilities, the 2026 Notes and the 2029 Notes (the 2026 Notes and the 2029 Notes collectively, the **Senior Notes**). Copies of the Senior Credit Facility (including any amendments thereto) and the note indenture governing the 2026 Notes (the **2026 Note Indenture**) and the note indenture governing the 2029 Notes (the **2029 Note Indenture**) (collectively, the **Senior Note Indentures**) are available on SEDAR (**www.sedar.com**) and EDGAR (**www.sec.gov**).

Senior Credit Facility

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

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

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

- permit second lien debt not to exceed US$400 million subject to certain terms and conditions, and
- add a new covenant with respect to anti-cash hoarding whereby we are only permitted to draw a maximum of US$50 million on the facility if the only purpose is to accumulate cash.

In January 2017, we agreed with our lenders, among other amendments, to the following amendments to our Senior Credit Facility to reduce the size of the facility to US$525 million.

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

- reduce the size of the facility to US$500 million
- permit the redemption and repurchase of junior debt subject to a pro forma senior net leverage ratio (as defined in the credit agreement) (senior net leverage covenant ratio) of less than or equal to 1.75:1, and
- permit distributions post the covenant relief period subject to a pro forma consolidated senior net leverage covenant ratio of less than or equal to 1.75:1.

In November 2018, we agreed with our lenders to extend the maturity date of the facility by one year to November 21, 2022.

In November 2019, we agreed with our lenders to extend the maturity date of the facility by one year to November 21, 2023.

In April 2020, we agreed with the lenders of our Senior Credit Facility to reduce the consolidated Covenant EBITDA (as defined in the Senior Credit Facility) to consolidated interest expense coverage ratio for the most recent four consecutive quarters of greater than or equal to 2.5:1 to 2.0:1 for the period ending September 30, 2020, 1.75:1 for the period ending December 31, 2020, 1.25:1 for the periods ending March 31, June 30 and September 30, 2021, 1.75:1, for the period ending December 31, 2021, 2.0:1 for the period ending March 31, 2022 (the **Covenant Relief Period**) and 2.5:1 for periods ending thereafter. During the Covenant Relief Period, Precision's distributions in the form of dividends, distributions and share repurchases are restricted to a maximum of US$15 million in 2020 and US$25 million in each of 2021 and 2022, subject to a pro forma senior net leverage ratio (as defined in the credit agreement) of less than or equal to 1.75:1. In addition, during 2021, the North American and acceptable secured foreign assets must directly account for at least 65% of consolidated Covenant EBITDA calculated quarterly on a rolling twelve-month basis, increasing to 70% thereafter. Precision also has the option to voluntarily terminate the Covenant Relief Period prior to its March 31, 2022 end date.

On June 18, 2021, we agreed with the lenders of our Senior Credit Facility to extend the facility's maturity date and extend and amend certain financial covenants during the Covenant Relief Period. The maturity date of the Senior Credit Facility was extended to June 18, 2025; however, US$53 million of the US$500 million will expire on November 21, 2023. The lenders agreed to extend the Covenant Relief Period to September 30, 2022 and amend the consolidated Covenant EBITDA to consolidated interest coverage ratio for the most recent four consecutive quarters to be greater than or equal to 1.75:1 for the periods ending

June 30, 2021 and September 30, 2021, 2.0:1, for the periods ending December 31, 2021 and March 31, 2022, 2.25:1 for the periods ending June 30, 2022 and September 30, 2022 and 2.5:1 for periods ending thereafter. During the Covenant Relief Period, our distributions in the form of dividends, distributions and share repurchases are restricted to a maximum of US$25 million in each of 2021 and 2022, subject to a pro forma senior net leverage ratio (as defined in the credit agreement) of less than or equal to 1.75:1.

At December 31, 2021, we were in compliance with the covenants of the Senior Credit Facility.

The table below sets out the key features of the Senior Credit Facility as of March 7, 2022:

Key Features of Senior Credit Facility	
Amount	▪ provides senior secured financing of up to US$500 million ▪ includes a provision to increase the credit facility limit by up to an additional US$300 million (subject to certain conditions, including obtaining additional lender commitments) ▪ US$53 million of the available US$500 million will expire on November 21, 2023
Term and repayment	▪ matures and to be repaid in full on the earlier of June 18, 2025 and 90 days inside the maturity of any junior debt ▪ provides us the option to request the lenders to extend the term of the facility at their discretion for up to five years from the date of request
Letters of credit	▪ provides for letters of credit (including letters of guarantee) in U.S. or Canadian dollars or other currencies acceptable to the fronting lender up to a total of US$200 million (as a sublimit of the overall commitments)
Interest rates and fees	▪ provides us the option to choose the interest rate on loans denominated in U.S. or Canadian dollars: – either a margin over a U.S. base rate or a margin over the LIBOR rate for U.S. dollar loans – either a margin over the Canadian prime rate or a margin over the CDOR rate for Canadian dollar loans and banker's acceptances and banker's acceptances. The margins are based on the then applicable ratio of Consolidated Total Debt to Covenant EBITDA (as defined in the credit 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 and CDOR rate (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 our respective present and future assets, secured by a perfected first priority lien, subject to certain permitted encumbrances, as security for our obligations (including obligations to cash management providers, operating lenders and swap providers). All Material Subsidiaries have also guaranteed these obligations ▪ if we receive a corporate credit rating of at least *BBB-* from Standard & Poor's Rating Services (**S&P**) and *Baa3* from Moody's, we have the option to require the security to be released (with a corresponding obligation to re-grant security if the rating drops below this threshold after the release). We currently have a corporate credit rating of *B* from S&P, a rating of *B2* from Moody's Investors Service, Inc. (Moody's) and a rating of B+ from Fitch Ratings
Certain covenants and events of default	▪ subject to certain exceptions, several covenants restrict our ability and the ability of our Material Subsidiaries to do any of the following, among other things: – incur or assume additional debt – dispose of assets – make or pay dividends, share redemptions, or other distributions if an event of default has occurred – change our primary business – incur or assume liens on assets – enter into mergers, consolidations, or amalgamations – enter into speculative swap agreements – repay junior debt ▪ also includes customary affirmative covenants and events of default ▪ we must also comply with the following financial covenant ratios, each calculated for the most recent four consecutive fiscal quarters: – a maximum Consolidated Senior Debt to Covenant EBITDA ratio (as defined in the credit agreement) of 2.5:1 (the Consolidated Senior Debt to Covenant EBITDA as defined in the credit agreement ratio may increase to 3:1 for the first three fiscal quarters following a material acquisition that involves total consideration of more than 5% of our consolidated net tangible assets) – a Consolidated Interest Coverage Ratio (as defined in the credit agreement) of 2.5:1 (except during the Covenant Relief Period) ▪ no more than US$250 million in new unsecured debt can be incurred or assumed except where the new unsecured debt is used to refinance existing unsecured debt, or the new unsecured debt is assumed through an acquisition

Operating Facilities

We have a $40 million secured operating facility, a US$15 million secured operating facility, and a US$30 million secured facility for letters of credit. At December 31, 2021, availability of the $40 million operating facility was reduced by outstanding letters of credit of $7 million. Availability of the US$30 million secured facility for letters of credit was reduced by outstanding letters of credit of US$3 million. No amount was drawn on the US$15 million secured operating facility with the full amount remaining available for drawdown. The facilities are primarily secured by charges on substantially all of our present and future property and Material Subsidiaries. Advances under the $40 million operating facility are available at a margin over the banks' prime Canadian lending rate, United States base rate, LIBOR, or Bankers' Acceptance rate, or in combination, and under the US$15 million facility at the banks' prime lending rate. Issuance fees at agreed rates are payable on the amounts of any letters of credit outstanding under the $40 million operating facility and the US$30 million letter of credit facility.

Real Estate Credit Facilities

In November 2020, we established a real estate credit facility (**Real Estate Credit Facility**) in the amount of US$11 million. It matures in November 2025 and is secured by real property located in Houston, Texas. Principal plus interest is due monthly, based on a 15-year straight-line amortization with any unpaid principal and accrued interest due at maturity. Interest is calculated using a LIBOR rate plus margin.

In March 2021, we established a Canadian Real Estate Credit Facility in the amount of $20 million. The facility matures in March 2026 and is secured by real properties in Alberta, Canada. Principal plus interest payments are due quarterly, based on 15- year straight-line amortization with any unpaid principal and accrued interest due at maturity. Interest is calculated using a CDOR rate plus margin.

The Real Estate Credit Facilities contain certain affirmative and negative covenants and events of default, customary for these types of transactions. Under the terms of these facilities, Precision must maintain financial covenants in accordance with the Senior Credit Facility, described above, as of the last day of each period of four consecutive fiscal quarter. For the Canadian Real Estate Credit Facility, in the event the Senior Credit Facility expires, is cancelled or is terminated, financial covenants in effect at that time shall remain in place for the remaining duration of the facility. For the U.S. Real Estate Credit Facility, in the event the consolidated Covenant EBITDA to consolidated interest expense coverage ratio is waived or removed from the Senior Credit Facility, a minimum threshold of 1.15:1 is required.

Unsecured Senior Notes

In 2021, we redeemed US$286 million principal amount of the 2023 Notes and US$263 million principal amount of the 2024 Notes.

As of June 16, 2021, all principal and interest on the 2023 Notes and 2024 Notes was paid in full and the U.S. Trustee and Canadian Trustee confirmed the satisfaction and discharge of the 2023 Notes Indenture and 2024 Notes Indenture.

The unsecured senior notes listed below remain outstanding and are denominated in U.S. dollars (all payments on the notes are made in that currency).

	2026 Notes Completed November 22, 2017 Issued under and governed by the 2026 Note Indenture	**2029 Notes** Completed June 15, 2021 Issued under and governed by the 2029 Note Indenture
Trustee	▪ Bank of New York Mellon (U.S. Trustee) ▪ Computershare (Canadian Trustee)	▪ Bank of New York Mellon (U.S. Trustee) ▪ Computershare (Canadian Trustee)
Principal outstanding as of December 31, 2021	▪ US$348 million	▪ US$400million
Interest	▪ 7.125% ▪ paid in cash semi-annually on January 15 and July 15 to holders of record on January 1 and July 1 ▪ calculated on a 360-day year of 12 30-day months	▪ 6.875% ▪ paid in cash semi-annually on January 15 and July 15 to holders of record on January 1 and July 1 ▪ calculated on a 360-day year of 12 30-day months
Maturity date	▪ January 15, 2026	▪ January 15, 2029
Net proceeds	▪ used together with cash on hand to repurchase and redeem the US$372 million outstanding unsecured senior notes due in 2020 and repurchase a portion of our senior notes due in 2021	▪ used together with cash on hand and our Senior Credit Facility to redeem the US$286 million outstanding 2023 Notes and the US$263 million outstanding 2024 Notes
Interest payments	▪ began on July 15, 2019 ▪ interest accrues from the most recent date to which interest was paid	▪ began on January 15, 2022 ▪ interest accrues from the most recent date to which interest was paid
Redemption features	**Beginning November 15, 2020** ▪ in whole or in part at any time before November 15, 2023, at redemption prices ranging between 105.344% and 101.781% of their principal amount plus accrued interest **Beginning November 15, 2023** ▪ for their principal amount plus accrued interest	**Beginning January 15, 2025** ▪ in whole or in part at any time before January 15, 2027, at redemption prices ranging between 103.438% and 101.719% of their principal amount plus accrued interest **Beginning January 15, 2027** ▪ 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

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

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

The Senior Notes require that we comply with certain covenants including an incurrence based Consolidated Interest Coverage Ratio test (as defined in the Senior Notes Indentures) of 2.0:1 for the most recent four consecutive fiscal quarters. In the event that our Consolidated Interest Coverage Ratio is less than 2.0:1 for the most recent four consecutive fiscal quarters the Senior Notes Indentures restrict our ability to incur additional indebtedness. As of December 31, 2021, our Senior Notes Consolidated Interest Coverage Ratio was 2.06.

Each of the 2026 Notes and the 2029 Notes are general unsecured obligations and rank senior in right of payment to all our future obligations that are subordinate in right of payment to these notes and equal in right of payment with all our other existing and future obligations.

Our Credit Ratings

Credit ratings affect our ability to obtain short and long-term financing and our ability to engage in certain business activities cost-effectively.

Understanding Credit Ratings	
Moody's Investors Services Inc. (Moody's) Moody's credit rating is their opinion of our ability to honour senior unsecured financial obligations and contracts	▪ rating scale from *Aaa* (highest) to *C* (lowest quality of securities rated) ▪ Moody's rating of *B* is the sixth highest of nine categories and denotes obligations considered speculative and are subject to high credit risk ▪ a modifier of 1, 2 or 3 after a rating indicates the relative standing within a particular rating category. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, 2 indicates a mid-range ranking and 3 indicates a ranking in the lower end of the generic rating category
Standard & Poor's Financial Services LLC (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 *B* by S&P is the sixth highest of 10 categories ▪ under the S&P rating system, an obligor with debt securities rated *B* is less vulnerable in the near-term than other lower-rated obligors, but adverse business, financial or economic conditions will likely impair the obligor's inadequate capacity or willingness to meet its financial commitments ▪ the addition of a plus (+) or minus (-) designation after the rating indicates the relative standing within a particular rating category
Fitch Ratings, Inc. (Fitch) Fitch's credit rating is their opinion of our relative ability to meet financial commitments, such as interest, repayment of principal, insurance claims or counterparty obligations	▪ rating scale from AAA (highest) to D (lowest quality of securities rated) ▪ Fitch's rating of B is the sixth highest of 11 categories and rating of BB is the fifth highest. ▪ Fitch's rating of BB indicates an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met. A rating of B indicates material default risk is present, but a limited margin of safety remains – financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment. ▪ the additional of a plus (+) or minus (-) designated after the rating indirect the relative standing within a particular rating category

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

At March 7, 2022	Moody's	S&P	Fitch
Corporate credit rating	B2	B	B+
Senior Credit Facility rating	Not rated	Not rated	BB+
Unsecured senior note rating (2026 Notes and 2029 Notes)	B3	B	B+

RISKS IN OUR BUSINESS

Investing in Precision securities presents risk. Take time to read about the risks described below and other important information in this AIF and our other disclosure documents before making an investment decision, as these risks could have a material adverse effect on our business, financial condition, results of operations and cash flow. You may also want to seek advice from an expert.

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

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

Our operations depend on the price of oil and natural gas, which have been subject to increased volatility in recent years, and on the exploration and development activities of oil and natural gas exploration and production companies

We primarily 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 relatively low. The volatility of crude oil and natural gas prices accounts for much of the cyclical nature of the oilfield services business and in recent years, increased volatility has led to greater uncertainty in the demand for our services.

The markets for oil and natural gas are separate and distinct. Oil is a global commodity with a vast distribution network, although the differential between benchmarks such as West Texas Intermediate, Western Canadian Select, and European Brent crude oil can fluctuate. As in all markets, when supply, demand, inability to access domestic or export markets and other factors change, so can the spreads between benchmarks. The use of natural gas is growing quickly worldwide, with the three most developed demand centers residing in North America, Western Europe and North Asia. These regions have dense pipeline networks and a high demand for natural gas. The world's largest producers of natural gas are currently the U.S., Russia, Iran, Qatar, Canada, China and Norway. 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 LNG in ocean-going tanker ships introduced an element of globalization to the natural gas market. The development of LNG means all the major production centers for natural gas are linked to the world's major demand centers.

Worldwide military, political, economic and other events, such as the COVID-19 pandemic, the conflict in Ukraine or a conflict in the Middle East, expectations for global economic growth, political sanctions, trade disputes, or initiatives by OPEC+, can affect supply and demand for oil and natural gas. Weather conditions, governmental regulation (in Canada and U.S.), levels of consumer demand, the availability and pricing of alternate sources of energy (including renewable energy initiatives), the availability of pipeline capacity and other transportation for oil and natural gas, global oil and 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.

In 2021, approximately 10,500 wells were started onshore in the U.S., compared to approximately 43,700 in 2014. In 2021, the industry drilled 4,557 wells in western Canada, compared to 10,942 in 2014. According to industry sources, the U.S. average active land drilling rig count was up approximately 10% in 2021, compared to 2020, and the Canadian average active land drilling rig count was up approximately 48% during the same period as oil and natural gas prices stabilized throughout 2021.

Recently, commodity prices have been negatively affected by a combination of factors, including increased production, the decisions of OPEC+, the COVID-19 pandemic and a strengthening in the U.S. dollar relative to most other currencies. Although OPEC+ agreed in April 2020 to oil production cuts, OPEC+ has been gradually reducing such cuts and in July 2021, agreed to further reduce such cuts on a monthly basis with a goal of phasing out all production cuts towards the end of 2022. There is no assurance that the most recent OPEC+ agreement will be observed by its parties and OPEC+ may change its agreement depending upon market conditions. Although crude oil prices have recovered since March 2020, reductions related to the onset of the COVID-19 pandemic, oil and natural gas prices are expected to continue to be volatile as a result of near-term production instability, the ongoing COVID-19 pandemic, conflict in Ukraine and actions of Russia, changes in oil and natural gas inventories, industry demand, global and national economic performance, the actions of OPEC+, and any coordinated releases of oil from strategic reserves by the U.S. (or any other country). Certain of these events and conditions may contribute to decreased exploration and drilling activities and a decrease in confidence in the oil and natural gas industry generally. These difficulties have been exacerbated in Canada and the U.S. by political and other actions resulting in uncertainty surrounding regulatory, tax, royalty and environmental regulation. Each of these factors have adversely affected, and could continue to adversely affect,

the price of oil and natural gas and drilling activities by our customers, which would adversely affect the level of capital spending by our customers and in turn could have a material adverse effect on our business, financial condition, results of operations and cash flow.

As a result of the continued volatility in oil and natural gas prices, regulatory uncertainty, and strategies of certain of our customers to focus on debt reductions or returning cash to shareholders rather than incurring expenditures on exploration and drilling activities, many of our customers have reduced spending budgets compared to periods prior to the downturn in commodity prices experienced in 2014. Reductions in commodity prices or factors that impact the supply and demand for oil and natural gas and lead to price volatility may result in further reductions in capital budgets in the future, which could result in cancelled, delayed or reduced drilling programs by our customers and a corresponding decline in demand for our services. Additionally, the availability and pricing of alternative sources of energy, a potential shift to lower carbon intensive energy sources or a shift to a lower carbon economy, and technological advances may also depress the overall level of oil and natural gas exploration and production activity, similarly impacting the demand for our services.

If a reduction in exploration and development activities, whether resulting from changes in oil and natural gas prices or reductions in capital budgets as described above or otherwise, continues or worsens, it could materially and adversely affect us further by:

- negatively impacting our revenue, cash flow, profitability and financial condition
- restricting our ability to make capital expenditures compared to periods prior to the downturn and our ability to meet future contracted deliveries of new-build rigs
- affecting the existing fair market value of our rig fleet, which in turn could trigger a write-down for accounting purposes
- our customers negotiating, terminating, or failing to honour their drilling contracts with us
- making our Senior Credit Facility financial covenants more difficult to attain, and
- negatively impacting our ability to maintain or increase our borrowing capacity, our ability to obtain additional capital to finance our business and our ability to achieve our debt reduction targets.

There is no assurance that demands for our services or conditions in the oil and natural gas and oilfield services sector will not decline in the future, and a significant decline in demand could have a material adverse effect on our business, financial condition, results of operations and cash flow.

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

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

The contract drilling business is highly competitive with many industry participants. We compete for drilling contracts that are usually awarded based on competitive bids. We believe pricing, rig availability and technology 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, the offering of ancillary services, the ability to provide drilling equipment that is adaptable, 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 day rates, followed by periods of high demand, short rig supply and increasing day rates. Periods of excess drilling rig supply intensify the competition and often result in rigs being idle. There are numerous contract drilling companies in the markets where we operate, and an oversupply of drilling rigs can cause greater price competition. Contract drilling companies compete primarily on a regional basis, and the intensity of competition can vary significantly from region to region at any particular time. In addition, development of new drilling technology by competitors has increased in recent years, which could negatively affect our ability to differentiate our services. If demand for drilling services is better in a region where we operate, our competitors might respond by moving suitable drilling rigs in from other regions, reactivating previously stacked rigs or purchasing new drilling rigs. An influx of drilling rigs into a market from any source could rapidly intensify competition and make any improvement in the demand for our drilling rigs short-lived, which could in turn have a material adverse effect on our business, financial condition, results of operations and cash flow.

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 business, financial condition, results of operations and cash flow.

Lower activity in the contract drilling industry exposes us to the risk of oversupply of equipment

Periods of low demand often lead to low utilization. The number of drilling rigs competing for work in markets where we operate has remained the same as the industry has seen a decrease in drilling activity. 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 decline could lead to lower demand for term drilling contracts and for our equipment and services. The additional supply of drilling rigs has intensified price competition in the past and could continue to do so. This could lead to lower day rates in the oilfield services industry generally and lower utilization of existing rigs. If any of these factors materialize, it could have a material adverse effect on our business, financial condition, results of operations and cash flow.

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, geopolitical, 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 Senior Credit Facility and in our Senior 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 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 generate enough cash flow from operations or borrow a sufficient amount to service and repay our debt, we will need to refinance our debt or we will be in default, and we could be forced to reduce or delay investments and capital expenditures or dispose of material assets or issue equity. We may not be able to refinance or arrange alternative measures on favourable terms or at all. If we are unable to service, repay or refinance our debt, it could have a negative impact on our business, financial condition, results of operations and cash flow.

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

A substantial portion of our operations are carried out through subsidiaries, and some of them are not guarantors of our debt. The assets of the non-guarantor subsidiaries represent approximately 17**%** of Precision's consolidated assets. 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 funds 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 business, financial condition, results of operations and cash flow.

Pipeline constraints in western Canada could have an adverse effect on the demand for our services in Canada

In western Canada, delays and/or the inability to obtain necessary regulatory approvals for pipeline projects that would provide additional transportation capacity and access to refinery capacity for our customers has led to downward price pressure on oil and natural gas produced in western Canada, which has depressed, and may continue to depress, the overall exploration and production activity of our customers. Construction has commenced on the Trans Mountain and Coastal Gaslink pipelines in Western Canada; however, both projects may face further regulatory delays or disruptions. On January 20, 2021, the Biden Administration issued an executive order revoking the Presidential permit allowing the construction and operation of the Keystone XL pipeline. On March 17, 2021, 21 states filed a lawsuit in the Southern District of Texas, alleging President Biden's order violates the U.S. Constitution. As at the date hereof, the constitutional challenge was dismissed.

The regulatory uncertainty in Canada has impacted some of our customers' ability to obtain financing, which has also depressed overall exploration and production activity. These factors could result in a corresponding decline in the demand for our services that could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Any difficulty in retaining, replacing, or adding personnel could adversely affect our business

Our ability to provide reliable services depends on the availability of well-trained, experienced crews to operate our field equipment. We must also balance our need to maintain a skilled workforce with cost structures that fluctuate with activity levels. We retain the most experienced employees during periods of low utilization by having them fill lower- level positions on field crews. Many of our businesses experience manpower shortages in peak operating periods, and we may experience more severe shortages if the industry adds more rigs, oilfield services companies expand, and new companies enter the business.

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

Other factors can also affect our ability to find enough workers to meet our needs. Our business requires skilled workers who can perform physically demanding work. Volatility in oil and natural gas activity and the demanding nature of the work, however, may prompt workers to pursue other kinds of jobs that offer a more desirable work environment and wages competitive to ours.

Our success depends on our ability to continue to employ and retain skilled technical personnel and qualified rig personnel. If we are unable to, it could have a material adverse effect on our business, financial condition, results of operations and cash flow.

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

We conduct some of our business in the Middle East. We may decide to establish operations in other international regions, including countries where the political and economic systems may be less stable than in Canada or the United States.

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

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

If there is a dispute relating to our international operations, we may be subject to the exclusive jurisdiction of foreign courts. In addition, we may not be able to file suits against foreign persons or subject them to the jurisdiction of a court in Canada or the U.S. or be able to enforce judgement or arbitrated awards against state-owned customers.

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.

We are subject to compliance with the United States Foreign Corrupt Practices Act (**FCPA**) and the Corruption of Foreign Public Official Act (Canada) (**CFPOA**), which generally prohibit companies from making improper payments to foreign government officials for the purpose of obtaining business. While we have developed policies and procedures designed to achieve compliance with the FCPA, CFPOA and other applicable international laws, we could be exposed to potential civil and criminal 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 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. We could also face fines, sanctions and other penalties from authorities in other the relevant foreign jurisdictions, including prohibition of our participating in or curtailment of business operations in those jurisdictions and the seizure of drilling rigs or other assets. 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.

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 natural 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. Additionally, certain investors and lenders may discourage

investments or lending into the hydrocarbon industry. To the extent that certain institutions implement policies that discourage investments or lending into the hydrocarbon industry, it could have an adverse effect on the cost of capital or availability of capital for our customers, which may result in reduced spending by our customers. A reduction in spending by our customers could have a material adverse effect on our business, financial condition, results of operations and cash flow as described further under – "*Our operations depend on the price of oil and natural gas, which have been subject to increased volatility in recent years, and on the exploration and development activities of oil and natural gas exploration and production companies*" on page 30.

Our debt facilities contain restrictive covenants

Our Senior Credit Facility, Real Estate Credit Facilities and the Senior Notes Indentures contain a number of covenants which, among other things, restrict us and some of our subsidiaries from conducting certain activities (see *Capital Structure – Material Debt – Unsecured Senior Notes* on page 27). In the event our Consolidated Interest Coverage Ratio (as defined in our two Senior Note Indentures) is less than 2.0:1 for the most recent four consecutive fiscal quarters, the Senior Note Indentures restrict our ability to incur additional indebtedness. As of December 31, 2021, our Consolidated Interest Coverage Ratio, as calculated per our unsecured Senior Note Indentures, was 2.06.

In addition, we must satisfy and maintain certain financial ratio tests under the Senior Credit Facility and Real Estate Credit Facilities (see *Capital Structure – Material Debt* on page 25). Events beyond our control could affect our ability to meet these tests in the future. If we breach any of the covenants, it could result in a default under the Senior Credit Facility and Real Estate Credit Facilities or any of the unsecured Senior Note Indentures. If there is a default under our Senior Credit Facility, the applicable lenders could decide to declare all amounts outstanding under the Senior Credit Facility, Real Estate Credit Facilities or any of the unsecured Senior Note Indentures to be due and payable immediately and terminate any commitments to extend further credit under the Senior Credit Facility. If there is an acceleration by the lenders and the accelerated amounts exceed a specific threshold, the applicable noteholders could decide to declare all amounts outstanding under any of the Senior Note Indentures to be due and payable immediately.

At December 31, 2021, we were in compliance with the covenants of our Senior Credit Facility and Real Estate Credit Facilities.

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. Additionally, new technologies, services or standards could render some of our services, drilling rigs or equipment obsolete, which could reduce our competitiveness and have a material adverse impact on our business, financial condition and results of operations.

Continued Impacts of the COVID-19 Pandemic

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Governments worldwide, including those countries in which Precision operates, have enacted emergency measures from time to time to combat the spread of the virus. These measures, which include the implementation of travel bans, quarantine periods, stay-at-home orders and social distancing, have caused a material disruption to businesses globally resulting in an economic slowdown and decreased demand for oil. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the long-term success of these interventions is not yet determinable. While vaccination programs have resulted in a more positive worldwide economic outlook, the overall timing, including the spread of any variants, and effectiveness of the vaccination programs remains uncertain and emergency measures to combat the spread of the virus may remain in effect for an indefinite period, or be required from time to time, in certain countries or jurisdictions which could continue to result in decreased demand for oil and gas or increased volatility in prices for oil and gas. The situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on Precision remains unknown at this time, as there are no comparable recent events to provide guidance on the spread or continuance of the COVID-19 pandemic, including future variants.

The current challenging economic climate resulting from the impact of the COVID-19 pandemic and corresponding emergency measures that have been implemented or may be implemented from time to time by various governments has or may have significant adverse impacts on Precision including, but not exclusively:

- potential interruptions of our business or operations
- material declines in revenue and cash flows, as our customers are concentrated in the oil and natural gas industry
- future impairment charges to our property, plant and equipment and intangible assets
- risk of non-payment of accounts receivable and customer defaults, and
- additional restructuring charges as we align our structure and personnel to the dynamic environment.

Additionally, any potential spread of COVID-19 amongst our or our customers' employees or contractors may result in temporary interruptions to our business or operations, which may have an adverse effect on our financial condition, results of operations and cash flow.

Other Disease Outbreak may impact our business

Future local, regional, national or international outbreaks of contagious diseases could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price of and demand for oil and natural gas (and correspondingly, decrease the demand for our services, which could have a material adverse effect on our business, financial condition, results of operations and cash flows). Additionally, such an outbreak, if uncontrolled, may result in temporary shortages of staff to the extent our work force is impacted, which may have a material adverse effect on our business.

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

In addition to expanded regulations and guidelines related specifically to climate change, we and our customers are subject to numerous environmental laws and regulations, including regulations relating to spills, releases and discharges of hazardous substances or other waste materials into the environment, requiring removal or remediation of pollutants or contaminants, and imposing civil and criminal penalties for violations. Some of these regulations apply directly to our operations and authorize the recovery of damages by the government, injunctive relief, and the imposition of stop, control, remediation and abandonment orders. For instance, 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. The total costs of complying with environmental protection requirements is unknown, but we may experience increased insurance and compliance costs as further environmental laws and regulations are introduced.

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

Governments in Canada and the U.S. may also consider more stringent regulation or restriction of hydraulic fracturing, a technology used by most of our customers that involves the injection of water, sand and chemicals under pressure into rock formations to stimulate oil and natural gas production. Increasing regulatory restrictions could have a negative impact on the exploration of unconventional energy resources, which are only commercially viable with the use of hydraulic fracturing. Laws relating to hydraulic fracturing are in various stages of development at levels of governments in markets where we operate and the outcome of these developments and their effect on the regulatory landscape and the contract drilling industry is uncertain. Hydraulic fracturing laws or regulations that cause a decrease in the completion of new oil and natural gas wells and an associated decrease in demand for our services could have a material adverse effect on our business, financial condition, results of operations and cash flow.

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. There can also be no guarantee that other laws and other government programs relating to the oil and gas industry and the transportation industry will not be changed in a manner which directly and adversely impact the demand for oil and natural gas which could affect our business, nor can there be any assurances that the laws, regulations or rules governing our customers will not be changed in a manner which adversely affects our customers and, therefore, our business. In the U.S., the Biden Administration will likely implement additional regulations and oversight concerning environmental policies and federal land management compared to the Trump Administration. On January 20, 2021, President Biden took executive actions to temporarily block new leases for oil and natural gas drilling on federal lands and ordered a review of fossil-fuel subsidies. The potential for increased regulation and oversight may make it more difficult or costly for us to operate.

Major projects that would benefit our customers, such as new pipelines and other facilities, may be inhibited, delayed or stopped by a variety of factors, including inability to obtain regulatory or governmental approvals or public opposition.

Effects of climate change, including physical and regulatory impacts, could have a negative impact on our business

The views on climate change are evolving at a regional, national and international level. As a result, political and economic events may significantly affect the scope and timing of climate change measures and regulations that are ultimately put in place, which may challenge the oil and gas industry in a number of ways. Additionally, the risks of natural disasters that could impact our business may increase in the future as a result of climate change. Furthermore, as societal awareness and public debate continues to grow in relation to the potential impact of climate change, consumer-demand for alternative fuel sources may continue to rise and incentives to conserve energy may be developed. Our business, financial condition, results of operations, cash flows, reputation, access to capital, access to insurance, cost of borrowing, access to liquidity, and/or business plans may, in particular, without limitation, be adversely impacted as a result of climate change and its associated impacts.

Physical Impact

As discussed under "*Business in our industry is seasonal and highly variable*" on page 40, weather patterns in Canada and the northern U.S. affect activity in the oilfield services industry. Global climate change could impact the timing and length of the spring thaw and the period in which the muskeg freezes and thaws and could impact the severity of winter, which could have a material adverse affect on our business and operating results. Furthermore, extreme and evolving climate conditions could result in increased risks of, or more frequent, natural disasters such as flooding or forest fires and may result in delays or cancellation of some of our customer's operations or could increase our operating costs (such as insurance costs), which could have a material adverse affect on our business and operating results. Extreme weather conditions could also impact the production and drilling of new wells. We cannot estimate the degree to which climate change and extreme climate conditions could impact our business and operating results.

Regulatory Impact

In response to climate change and increased focus on environmental protection, environmental laws, regulations and guidelines relating to the protection of the environment, including regulations and treaties concerning climate change or greenhouse gas emissions, continue to expand in scope. There has been an increasing focus on reduction of greenhouse gas emissions and a potential shift to lower carbon intensive energy sources or a shift to a lower carbon economy. Laws, regulations or treaties concerning climate change or greenhouse gas emissions, including incentives to conserve energy or use alternate sources of energy, can have an adverse impact on the demand for oil and natural gas, which could have a material adverse effect on us. Such laws, regulations or treaties are evolving and it is difficult to estimate with certainty the impact they will have on our business.

Canada and the U.S. are signatories to the Paris Agreement drafted at the United Nations Framework Convention on Climate Change (**UNFCCC**) in December 2015. The goals of the Paris Agreement are to prevent global temperature rise from exceeding 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels. On November 4, 2020, the U.S. formally withdrew from the Paris Agreement; however, on January 20, 2021, the Biden Administration re-entered the U.S. into the Paris Agreement, which may provide for climate targets that could result in reduced demand for oil and natural gas in the United States. In Canada, in connection with its commitments under the Paris Agreement, the federal government developed the Pan-Canadian Framework on Clean Growth and Climate Change in 2016 (the **PCF**). The PCF requires all provinces and territories to have a carbon price of $30 per tonne in 2020 and rising by $10 per year to $50 per tonne in 2022. In December 2020, the Canadian Government announced proposed $15 per year increases to the carbon price commencing in 2023, to reach a total of $170 per tonne by 2050. Provinces and territories can implement either an explicit price-based system (such as the systems implemented in British Columbia and Alberta) or a cap-and-trade system. Saskatchewan remains the only Canadian jurisdiction that has not joined the national plan set out in the PCF. Saskatchewan released its own output-based performance standards approach, which is applied only to certain large industrial facilities. The proposed system in Saskatchewan only partially meets the PCF standards, therefore the federal carbon pollution pricing system will apply in Saskatchewan to sources not covered by Saskatchewan's system. Certain Canadian provinces, including Alberta and Saskatchewan, had previously launched constitutional challenges related to the PCF; however, on March 25, 2021, the Supreme Court of Canada released its judgement confirming the constitutionality of Canada's national carbon pricing regime. In November 2021, to conclude the 26th Conference of the Parties to the UNFCCC, nearly 200 countries including Canada signed the Glasgow Climate Pact, which reaffirms the commitments to limiting global temperature rise set out in the Paris Agreement. The Glasgow Climate Pact calls for nations to submit new targets to the UNFCCC by the end of 2022 to align with the Paris Agreement's goals, requests that nations take accelerated actions to reduce emissions by 2030 and asks nations to accelerate the development and adoption of policies to transition towards low-emission energy systems. It also includes the party nations' agreement on rules under the Paris Agreement to create a global carbon credit market.

As at the date hereof, it is not possible to predict the effect of the Paris Agreement, the Glasgow Climate Pact and climate change-related legislation in Canada, the U.S. and globally on our business or whether additional climate-change legislation, regulations or other measures will be adopted at the federal, state, provincial or local levels in Canada, the U.S or globally. While some of these regulations are in effect, others remain in various phases of review, discussion or implementation, leading to uncertainties regarding timing and effects of these emerging regulations, making it difficult to accurately determine the cost impacts and effects on our operations. Further efforts by governments and non-governmental organizations to reduce greenhouse gas emissions appear likely, which, together with existing efforts, may reduce demand for oil and natural gas and potentially lead to lower demand for our services.

In addition to physical and regulatory effects of climate change on our business, anincreasing focus on reduction ofgreenhouse gas emissions and a potential shift to lower carbon intensive energy sources or a shift to a lower carbon economy may depress the overall level of oil and gas exploration and production activity, impacting the demand for our services from the oil and gas industry. Additionally, if our reputation is diminished as a result of the industry we operate in or services we provide, it could result in increased operating or regulatory costs, lower shareholder confidence or loss of public support for our business. It may also encourage exploration and production companies to diversify and limit drilling to find other more energy efficient/green generating energy alternatives.

Poor safety performance could lead to lower demand for our services

Standards for accident prevention in the oil and natural gas industry are governed by service company safety policies and procedures, accepted industry safety practices, customer-specific safety requirements, and health and safety legislation. Safety is a key factor that customers consider when selecting an oilfield services company. A decline in our safety performance could result in lower demand for services, and this could have a material adverse effect on our business, financial condition, results of operations and cash flow. A public safety performance issue could also result in reputational damage to us or increased costs of operating and insuring Precision's assets.

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.

Our business is subject to cybersecurity risks

We rely heavily on information technology systems and other digital systems for operating our business. Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow and are increased by the growing complexity of our information technology systems. Cybersecurity attacks could include, but are not limited to, malicious software, attempts to gain unauthorized access to data and the unauthorized release, corruption or loss of data and personal information, account takeovers, and other electronic security breaches that could lead to disruptions in our critical systems. Other cyber incidents may occur as a result of natural disasters, telecommunication failure, utility outages, human error, design defects, and unexpected complications with technology upgrades. Risks associated with these attacks and other incidents include, among other things, loss of intellectual property, reputational harm, leaked information, improper use of our assets, disruption of our and our customers' business operations and safety procedures, loss or damage to our data delivery systems, unauthorized disclosure of personal information which could result in administrative penalties and increased costs to prevent, respond to or mitigate cybersecurity events. Although we use various procedures and controls to mitigate our exposure to such risk, including cybersecurity risk assessments that are reviewed by our CGNRC, cyber security awareness programs for our employees, continuous monitoring of our information technology systems for threats, and insurance that may cover losses incurred as a result of certain cyber security attacks or incidents, cybersecurity attacks and other incidents are evolving and unpredictable. The occurrence of such an attack or incident could go unnoticed for a period of time. Any such attack or incident could have a material adverse effect on our business, financial condition results of operations and cash flow.

Relying on third-party suppliers has risks and shortages in supply of equipment could adversely impact our business

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. We maintain relationships with several key suppliers and contractors and an inventory of key components, materials, equipment and parts. We also place advance orders for components that have long lead times. We may, however, experience cost increases, delays in delivery due to strong activity or financial hardship of suppliers or contractors, or other unforeseen circumstances relating to third parties. Increased inflation may also result in cost increases for the key components, materials, equipment and parts we use in our business. In times of increased demand for drilling services, there may be shortages of components, materials, equipment, parts and services required for our business. 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 business, financial condition, results of operations and cash flow.

The COVID-19 pandemic has resulted in acute supply chain issues for many industries that may impact our ability to obtain key components, materials, equipment and parts for our operations.

Our business could be negatively affected as a result of actions of activist shareholders and some institutional investors may be discouraged from investing in the industry in which we operate in

Activist shareholders could advocate for changes to our corporate governance, operational practices and strategic direction, which could have an adverse effect on our reputation, business and future operations. In recent years, publicly traded companies have been increasingly subject to demands from activist shareholders advocating for changes to corporate governance practices, such as executive compensation practices, social issues, or for certain corporate actions or reorganizations. There can be no assurances that activist shareholders will not publicly advocate for us to make certain corporate governance changes or engage in certain corporate actions. Responding to challenges from activist shareholders, such as proxy contests, media campaigns or

other activities, could be costly and time consuming and could have an adverse effect on our reputation and divert the attention and resources of management and our Board, which could have an adverse effect on our business and operational results. Additionally, shareholder activism could create uncertainty about future strategic direction, resulting in loss of future business opportunities, which could adversely affect our business, future operations, profitability and our ability to attract and retain qualified personnel.

In addition to risks associated with activist shareholders, some institutional investors are placing an increased emphasis on ESG factors when allocating their capital. These investors may be seeking enhanced ESG disclosures or may implement policies that discourage investment in the hydrocarbon industry. To the extent that certain institutions implement policies that discourage investments in our industry, it could have an adverse effect on our financing costs and access to liquidity and capital. Additionally, if our reputation is diminished as a result of the industry we operate in or service, it could result in increased operation or regulatory costs, lower shareholder confidence or loss of public support for our business.

The loss of one or more of our larger customers could have a material adverse effect on our business and our current backlog of contract drilling revenue may decline

In 2021, approximately 48% of our revenue was received from our tenlargest drilling customers and approximately 25% of our revenue was received from our three largest drilling customers. The loss of one or more of our larger customers could have a material adverse effect on our business, financial condition, results of operations and cash flow. In addition, financial difficulties experienced by customers could adversely impact their demand for our services and cause them to request amendments to our contracts with them. Further, consolidation among oil and natural gas exploration and production companies may reduce the number of available customers.

Our fixed-term drilling contracts generally provide our customers with an ability to terminate the contracts at their election, with an early termination payment to us if the contract is terminated prior to the expiration of the fixed term. During depressed market conditions or otherwise, customers may be unable to satisfy their contractual obligations or may seek to terminate or renegotiate or otherwise fail to honor their contractual obligations. In addition, we may not be able to perform under these contracts due to events beyond our control, and our customers may seek to terminate or renegotiate our contracts for various reasons, without paying an early termination payment. As a result, we may not realize all of our contract drilling backlog. In addition, the termination or renegotiation of fixed-term contracts without the receipt of early termination payments could have a material adverse effect on our business, financial condition, results of operations and cash flows. Our contract drilling backlog may decline, as fixed-term drilling contract coverage over time may not be offset by new or renegotiated contracts or may be reduced by price adjustments to existing contracts, including as a result of the decline in the price of oil and natural gas, capital spending reductions by our customers or other factors.

Our operations are subject to foreign exchange risk

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

Translation into Canadian Dollars

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

Transaction exposure

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

We may be unable to access additional financing

We may need to obtain additional debt or equity financing in the future to support ongoing operations, undertake capital expenditures, repay existing or future debt including the Senior Credit Facility and the Senior Note Indentures, or pursue acquisitions or other business combination transactions. Volatility or uncertainty in the credit markets may increase costs associated with issuing debt or equity, and there is no assurance that we will be able to access additional financing when we need it, or on terms we find acceptable or favourable. Such volatility and uncertainty may be adversely impacted by potential negative perception of investing in the hydrocarbon industry. 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 business, financial condition, results of operations, and cash flow. See also "*Our business could be negatively affected as a result of actions of activist shareholders and some institutional investors may be discouraged from investing in the industry we operate in.*"

Increasing interest rates may increase our cost of borrowing

Increases to the Canadian or United States benchmark interest rates may have an impact on our cost of borrowing under our Senior Credit Facility, Real Estate Credit Facilities and any debt financing we may negotiate. On July 27, 2017, the U.K. Financial Conduct Authority (**FCA**) announced that it intends to stop compelling banks to submit LIBOR rates after 2021.

The elimination of LIBOR or any other changes or reforms to the determination or supervision of LIBOR could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us. On July 29, 2021, the Alternative References Rates Committee formally recommended the Secured Overnight Finance Rate (**SOFR**) as its preferred alternative replacement rate for U.S. dollar LIBOR. Although SOFR appears to be the preferred replacement rate for U.S. dollar LIBOR at this time, it is not presently known whether SOFR or any other alternative reference rates that have been proposed will attain market acceptance as replacements of U.S. dollar LIBOR.

Risks associated with turnkey drilling operations could adversely affect our business

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

Mergers and acquisitions entail numerous risks and may disrupt our business or distract management

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

We may incur substantial debt to finance future mergers and acquisitions and also may issue equity securities or convertible securities for mergers and 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 mergers and acquisitions. Mergers and 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 mergers and acquisitions into our operations, we may not derive the benefits such as operational or administrative synergies we expect from mergers and 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.

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, which could have a material

adverse effect on our business, financial condition, results of operations and cash flow. Additionally, unexpected events such as unplanned power outages, natural disasters, supply disruptions, pandemic illness or other unforeseeable circumstances could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Our worldwide operations could be disrupted by terrorism, acts of war, political sanctions, earthquakes, telecommunications failures, power or water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions (whether as a result of climate change or otherwise), medical epidemics or pandemics and other natural or manmade disasters or catastrophic events, for some of which we may be self-insured. The occurrence of any of these business disruptions could result in difficulties in transporting our crews, hiring or managing personnel as well as other significant losses, that may adversely affect our business, financial conditions, results of operations and cash flow, and require substantial expenditures and recovery time in order to fully resume operations.

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

Business in our industry is seasonal and highly variable

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

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

Litigation and legal claims could have an adverse impact on our business

We may be subject to legal proceedings and governmental investigations from time to time related to our business and operations. Lawsuits or claims against us could have a material adverse effect on our business, financial condition, results of operations and cash flow. While we maintain insurance that may cover the cost of certain litigation or have indemnity provisions in our favor, we cannot assure that any insurance or indemnification agreement will cover the cost of theses liabilities, thus litigation or claims could negatively impact our business, reputation, financial condition and cash flow.

Unionization efforts and labor regulations could materially increase our costs or limit our flexibility

Efforts may be made from time to time to unionize portions of our workforce. We may be subject to strikes or work stoppages and other labor disruptions in connection with unionization efforts or renegotiation of existing contracts with unions. Unionization efforts, if successful, new collective bargaining agreements or work stoppages could materially increase our labor costs, reduce our revenues and adversely impact our operations and cash flow.

There are risks associated with increased capital expenditures

The timing and amount of capital expenditures we incur, including those related to our Alpha™ technologies and EverGreen™ suite of environmental solutions, will directly affect the amount of cash available to us. The cost of equipment generally escalates as a result of high input costs during periods of high demand for our drilling rigs and oilfield services equipment and other factors. There is no assurance that we will be able to recover higher capital costs through rate increases to our customers.

A successful challenge by the tax authorities of expense deductions could negatively affect the value of our common shares

Taxation authorities may not agree with the classification of expenses we or our subsidiaries have claimed, or they may challenge the amount of interest expense deducted. If the taxation authorities successfully challenge our classifications or deductions, it could have a material adverse effect on our business financial condition, results of operations and cash flow.

Losing key management could reduce our competitiveness and prospects for future success

Our future success and growth depend 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 business, financial condition, results of operations and cash flow.

Our assessment of capital assets for impairment may result in a non-cash charge against our consolidated net income

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

Our credit ratings may change

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

If a rating agency downgrades our current corporate credit rating or rating of debt, or changes our credit outlook to negative, it could have an adverse effect on our financing costs and access to liquidity and capital.

The price of our common shares can fluctuate

Several factors can cause volatility in our share price, including increases or decreases in revenue or earnings, changes in revenue or earnings estimates by the investment community, failure to meet analysts' expectations, changes in credit ratings, and speculation in the media or investment community about our financial condition or results of operations. General market conditions, the perception of the industry we operate in and service and Canadian, U.S. or international economic and social factors and political events unrelated to our performance may also affect the price of our shares. Investors should therefore not rely on past performance of our shares to predict the future performance of our shares or financial results. At times when our share price is relatively low, we may be subject to takeover attempts by certain companies or institutions acting opportunistically.

While there is currently an active trading market for our shares in both the United States and Canada, we cannot guarantee that an active trading market will be sustained in either country. There could cease to be an active trading market due to, among other factors, minimum listing requirements of stock exchanges. If an active trading market in our shares is not sustained, the trading liquidity of our shares will be limited and the market value of our shares may be reduced.

Selling additional shares could affect share value

While we have a normal course issuer bid in place under which we may acquire our own shares, in the future we may issue additional shares 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 shares, except as may be required by applicable stock exchange rules, and shareholders do not have any pre-emptive rights related to share issues (see *Capital Structure* on page 21).

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

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

second quarter. If we were to lose our status as a *foreign private issuer* under U.S. securities laws, we would be required to comply with U.S. securities and accounting requirements.

We have retained liabilities from prior reorganizations

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

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

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

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

Under certain circumstances, a U.S. person who directly or indirectly owns 10% or more of the voting power of a foreign corporation that is a CFC (generally, a foreign corporation where 10% or more 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 income is not distributed to the person. We are not currently a CFC, but this could change in the future.

OUR DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Our by-laws provide that the Board has full, absolute and exclusive power, control, authority and discretion to manage Precision's business and affairs, subject to the rights of our shareholders. Directors are elected at each annual meeting of shareholders for a one-year term or, subject to our constating documents and applicable laws, appointed by the Board to hold office until the next annual meeting. The table below provides information about each director, including his or her name, place of residence, current position with Precision and principal occupation during the last five years.

Name and Place of Residence	Position Held with Precision	Principal Occupation During the Last Five Years	Director Since
Michael R. Culbert Calgary, Alberta Canada	Director Member, Audit Committee Member, Human Resources and Compensation Committee	Currently a corporate director Previously President and CEO of PETRONAS Energy Canada Ltd., formerly Progress Energy Canada Ltd.	December 2017
William T. Donovan North Palm Beach, Florida United States	Director Member, Audit Committee (chair since May 2020) Member, Corporate Governance, Nominating and Risk Committee	Currently a private equity investor and corporate director Previously Chairman of the Board of Rockland Industrial Holdings, LLC from April 2006 until December 2013	December 2008
Brian J. Gibson Mississauga, Ontario Canada	Director Member, Audit Committee Member, Corporate Governance, Nominating and Risk Committee	Currently a corporate director Previously Chief Executive Officer and Chief Investment Officer of TAVANI Relationship Investors Inc., an investment management firm, from August 2015 until December 2018 and as Senior Vice President, Public Equities and Hedge Funds of AIMCo from December 2008 until his retirement in May 2012	May 2011
Steven W. Krablin Spring, Texas United States	Director since May 2015 and Chairman of the Board since May 2017 Member, Audit Committee Member, Corporate Governance, Nominating and Risk Committee Member, Human Resources and Compensation Committee	Currently a private investor and corporate director Previously served as President, Chief Executive Officer and Chairman of the Board of T-3 Energy Services Inc., an oilfield services company, from March 2009 until the sale of the company in January 2011	May 2015
Susan M. MacKenzie Calgary, Alberta Canada	Director Member, Corporate Governance, Nominating and Risk Committee (chair since May 2020) Member, Human Resources and Compensation Committee Also attends management committee known as the HSE and Corporate Responsibility Council	Currently a corporate director Previously Chief Operating Officer at Oilsands Quest Inc. in 2010 and was Vice President Human Resources and Vice President *In Situ* Development and Operations at Petro-Canada where she was employed for twelve years	September 2017
Kevin O. Meyers, Ph.D. Anchorage, Alaska United States	Director Member, Corporate Governance, Nominating and Risk Committee Member, Human Resources and Compensation Committee (chair since May 2012) Also attends management committee known as the HSE and Corporate Responsibility 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
David W. Williams, Houston, Texas United States	Director Member, Audit Committee Member, Human Resources and Compensation Committee	Currently a corporate director Previously Chairman, President and Chief Executive Officer of Noble Corporation from January 2008 until his retirement in January 2018	September 2018
Kevin A. Neveu Houston, Texas United States	President and Chief Executive Officer and Director	Currently President and Chief Executive Officer and a director of Precision	August 2007

Other Important Information About the Directors

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

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

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

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

Kevin O. Meyers, Ph.D. has served on the board of Denbury Resources (**Denbury**). On July 30, 2020, Denbury filed a voluntary petition for Chapter 11 bankruptcy of the United States Bankruptcy Code in the Bankruptcy Court for the Southern District of Texas (Houston Division) to pursue a plan of reorganization. On September 18, 2020, Denbury emerged from bankruptcy as Denbury, Inc. Dr. Meyers continues to serve on Denbury Inc.'s board.

Steven W. Krablin and Kevin O. Meyers served on the board of Hornbeck Offshore Services Inc. (**Hornbeck**). On May 19, 2020, Hornbeck filed a voluntary petition for Chapter 11 bankruptcy of the United States Bankruptcy Code in the Bankruptcy Court for the Southern District of Texas (Houston Division) to pursue a plan of reorganization. On September 4, 2020, Hornbeck emerged from bankruptcy and appointed new directors. Mr. Krablin did not seek reappointment to the Hornbeck board in 2020. Hornbeck Offshore Services, Inc. became a private corporation in September 2020. Dr. Meyers continues to serve on Hornbeck's board.

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

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

Our directors and officers annually disclose any potential conflict of interest. From time to time, directors and officers will face potential conflicts of interest related to our business. Any conflicts are subject to the procedures and remedies set out under the *Business Corporations Act* (Alberta). If directors find themselves in a conflict of interest, they are required to advise the Chair of the Board and abstain from participating in any discussions and voting on the matter or excuse themselves from the meeting.

OUR BOARD COMMITTEES

Corporate Governance, Nominating and Risk Committee (CGNRC)

The CGNRC currently has five members, and all are independent directors:

- Susan M. MacKenzie (chair), William T. Donovan , Brian J. Gibson, Steven W. Krablin, and Dr. Kevin O. Meyers

The CGNRC is responsible for overseeing compliance with current governance requirements and monitoring emerging issues, developing and implementing best governance practices, and overseeing our approach to enterprise risk management. It is also responsible for conducting director assessments and developing director compensation programs.

Human Resources and Compensation Committee (HRCC)

The HRCC currently has five members, and all are independent directors:

- Dr. Kevin O. Meyers (chair), Michael R. Culbert , Steven W. Krablin, Susan M. MacKenzie, and David W. Williams

The HRCC is responsible for human resources and compensation governance, employee-wide programs and all matters relating to executive compensation.

Audit Committee

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

- William T. Donovan (chair), Michael R. Culbert, Brian J. Gibson, Steven W. Krablin, and David W. Williams

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

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

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

Relevant Education and Experience

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

- William T. Donovan (chair) is a private equity investor, a director of several private companies and currently serves on the audit committee of another public company. He was Chairman of the Board of Rockland Industrial Holdings, LLC of Milwaukee, Wisconsin from April 2006 until December 2013. He was a director of Grey Wolf, Inc. from 1997 until it was acquired by Precision Drilling Trust in December 2008. He was the President, Chief Executive Officer and Director of Total Logistics, Inc. prior to February 2005, and President, Chief Financial Officer and Director of Christiana Companies, Inc. prior to February 1999. Mr. Donovan has a B.Sc. degree and an MBA from the University of Notre Dame. Mr. Donovan was appointed to the Audit Committee in December 2008.
- Michael R. Culbert is a corporate director and has over 25 years of experience as a senior executive in the energy sector. He is the former Vice Chairman of PETRONAS Energy Canada Ltd., formerly Progress Energy Canada Ltd. (PECL), a wholly owned subsidiary of PETRONAS, Malaysia's integrated energy corporation. He was previously President and CEO of PECL and President of Pacific NorthWest LNG and Vice President of Marketing and Business Development at Encal Energy Ltd. He currently serves on the audit committee of another public company. Mr. Culbert has a Bachelor of Science degree in Business Administration from Emmanuel College. Mr. Culbert was appointed to the Audit Committee in December 2017.
- Brian J. Gibson was the Senior Vice President, Public Equities and Hedge Funds of AIMCo from December 2008 until his retirement in May 2012. He served as President of Panoply Capital Asset Management Inc., a private investment firm, from January until December 2008, and was the Senior Vice President, Public Equities of the Ontario Teachers' Pension Plan from August 1992 until January 2008. He is currently the Board Chair of the Investment Management Corporation of Ontario, a member of the Advisory Board of Kruger, Inc., and a Director of Samuel, Son & Co. Ltd., all three of which are private equity firms. He has extensive experience in the analysis of public company financial statements and control standards. Mr. Gibson received a Bachelor of Commerce (Honours) 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 2018, he has served as the Chair of the Corporate

Disclosure Policy Committee of the CFA Institute, which provides regulators with input and suggestions on potential changes in accounting standards and disclosures. Mr. Gibson was appointed to the Audit Committee in July 2012.

- Steven W. Krablin is a private investor and corporate director and has over 40 years of experience as a corporate executive in the energy industry. He currently serves on the audit committee of another public company in the energy industry. He was President, Chief Executive Officer and Chairman of the Board of T-3 Energy Services, Inc. from March 2009 until the sale of the company in January 2011. He also served as Chief Financial Officer of National Oilwell, Inc. and Enterra Corporation. Mr. Krablin received a BSBA (Accounting major) degree from the University of Arkansas and is a retired certified public accountant (CPA). Mr. Krablin was appointed to the Audit Committee in May 2015.
- David W. Williams is a corporate director and has over 35 years of experience in the offshore drilling industry. He was Chairman, President and Chief Executive Officer of Noble Corporation from January 2008 until his retirement in January 2018. Previously, he was Executive Vice President of Diamond Offshore Drilling, Inc. Mr. Williams has served as a member of the Executive Committee and as Chairman of the International Association of Drilling Contractors, and as a board member of the American Petroleum Institute where he was a member of the Executive Committee and served as Chairman of the General Membership Committee from 2012 to 2013. Mr. Williams served as a member of the National Petroleum Council, the Society of Petroleum Engineers and the American Bureau of Shipping. Mr. Williams currently serves as a member of the Dean's Advisory Board of the Mays Business School at Texas A&M University and a member of the Houston Museum of Natural Science Board of Trustees. Mr. Williams earned a Bachelor of Business Administration degree in Marketing from Texas A&M University. Mr. Williams was appointed to the Audit Committee in September 2018.

Pre-Approval Policies and Procedures

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

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

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

See *Appendix* on page 51, 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 2021 and 2020:

Year ended December 31		2021		2020
Audit fees for professional audit services	$	1,049,861	$	1,123,000
Audit-related fees for assurance and other services that relate to the performance of the audit or review of our financial statements and are not reported as audit fees		—		—
Tax fees for tax advisory, tax compliance and tax planning services, including assistance with preparing Canadian federal and provincial income tax returns and international tax advisory services		315,658		306,000
All other fees for products and services other than those disclosed above		14,038		—
Total	**$**	**1,379,557**	**$**	**1,429,000**

OUR EXECUTIVE OFFICERS

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

Name and Place of Residence	Current Position with Precision and Positions Held During the Last Five Years
Kevin A. Neveu Houston, Texas, United States	President and Chief Executive Officer since January 2007
Veronica H. Foley Houston, Texas, United States	Chief Legal and Compliance Officer since March 2022 Senior Vice President, General Counsel and Corporate Secretary from May 2016 to March 2022 Vice President, Legal and Corporate Secretary from January 2015 to May 2016
Carey T. Ford Houston, Texas, United States	Senior Vice President and Chief Financial Officer since May 2016 Interim Chief Financial Officer from March 2016 to May 2016 Senior Vice President, Operations Finance from March 2015 to March 2016
Shuja U. Goraya Houston, Texas, United States	Chief Technology Officer since July 2018
Darren J. Ruhr Houston, Texas, United States	Chief Administrative Officer since July 2018 Senior Vice President of Corporate Services from March 2012 to July 2018
Gene C. Stahl Houston, Texas, United States	Chief Marketing Officer since May 2019 President, Drilling Operations from September 2008 to May 2019

As at December 31, 2021, our directors and executive officers as a group beneficially owned, or controlled or directed, directly or indirectly, 133,489 common shares (approximately 1% of our issued and outstanding common shares).

None of our directors, executive officers, or any shareholder who beneficially owns, controls or directs, directly or indirectly, more than 10% of our outstanding common shares, or any of their known associates or affiliates, have had a direct or indirect material interest in any transaction affecting us in the three most recently completed financial years or in 2022 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.

OTHER MATERIAL INFORMATION

INTERESTS OF EXPERTS

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

MATERIAL CONTRACTS

Other than contracts we entered into in the ordinary course of business, we had four material contracts in effect at the end of 2021: Senior Credit Facility Agreement and amendments thereto, 2026 Note Indenture; 2029 Note Indenture, and Shareholder Rights Plan Agreement.

For details of our Senior Credit Facility Agreement and amendments thereto and each of the Note Indentures, see Capital Structure – Material Debt on page 25. For details of our Shareholder Rights Plan Agreement, see Capital Structure – Common Shares – Shareholder Rights Plan on page 22. We filed copies of these contracts on SEDAR and on EDGAR.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

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, 2021, forms part of our 2021 annual report and is incorporated by reference in this AIF. The MD&A appears on pages 1 to 46 of our 2021 annual report.

TRANSFER AGENT AND REGISTRAR

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

ADDITIONAL INFORMATION ABOUT PRECISION

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

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

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

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

- our Management Information Circular (including information about director and officer compensation and indebtedness and shares authorized for issuance under Precision's equity compensation plans) for the most recent annual meeting of shareholders, which was held on May 13, 2021.
- our 2021 Annual Report containing our Annual Consolidated Financial Statements and MD&A for the year ended December 31, 2021.

ABOUT REGISTERED TRADEMARKS

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

FINANCIAL MEASURES AND RATIOS

NON-GAAP RATIOS

We reference certain additional non-generally accepted accounting principles (**GAAP**) ratios that are not defined terms under IFRS to assess performance because we believe they provide useful supplemental information to investors.

Net Debt to Adjusted EBITDA We believe that the net debt (long-term debt less cash, as reported in our Consolidated Statements of Financial Position) to Adjusted EBITDA ratio provides an indication to the number of years it would take for us to repay our debt obligations. See *Financial Measures and Ratios* in our MD&A for the year-ended December 31, 2021, which is available on SEDAR a**www.sedar.com**.

SUPPLEMENTARY FINANCIAL MEASURES

We reference certain supplementary financial measures that are not defined terms under IFRS to assess performance because we believe they provide useful supplemental information to investors.

Capital Spending by Spend Category We provide additional disclosure to better depict the nature of our capital spending. Our capital spending is categorized as either expansion and upgrade or maintenance and infrastructure, and intangibles. See *Financial Measures and Ratios* in our MD&A for the year-ended December 31, 2021, which is available on SEDAR at **www.sedar.com**.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS

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

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

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

- our outlook on oil and natural gas prices
- our expectations about drilling activity in North America and the Middle East and the market demand for drilling rigs
- anticipated demand for our drilling rigs
- plans for returns of capital to shareholders
- customer adoption of Alpha™ technologies and EverGreen™ suite of environmental solutions
- our future debt reduction plans
- addition of a new female director to our Board in 2022
- the potential impact liquified natural gas export development could have on North American drilling activity
- our ability to remain compliant with our Senior Credit Facility and Real Estate Credit Facilities financial debt covenants
- our ability to react to customer spending plans as a result of changes in oil and natural gas prices
- target Net Debt to Adjusted EBITDA, and
- the impact of an increase/decrease in capital spending.

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, expected future developments and other factors we believe are appropriate under the circumstances. These include, among other things:

- the fluctuation in oil prices may pressure customers into reducing or limiting their drilling budgets
- the success of our response to the COVID-19 global pandemic
- the status of current negotiations with our customers and vendors
- customer focus on safety performance
- existing term contracts are neither renewed nor terminated prematurely
- our ability to deliver rigs to customers on a timely basis, and
- the general stability of the economic and political environments globally and in the jurisdictions where we operate.

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

- volatility in the price and demand for oil and natural gas
- the success of vaccinations for COVID-19 worldwide
- fluctuations in the level of oil and natural gas exploration and development activities
- fluctuations in the demand for contract drilling, well servicing and ancillary oilfield services
- our customers' inability to obtain adequate credit or financing to support their drilling and production activity
- changes in drilling and well servicing technology, which could reduce demand for certain rigs or put us at a competitive advantage

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

Readers are cautioned that the foregoing list of risk factors is not exhaustive. You can find more information about these and other factors that could affect our business, operations or financial results in this AIF under *Risks in Our Business*, starting on page 30 and in other reports on file with securities regulatory authorities from time to time which you can find in our profile on SEDAR (www.sedar.com) or in our profile on EDGAR (www.sec.gov).

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

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 of Directors") appointed to assist the Board of Directors in fulfilling its oversight responsibilities with respect to financial reporting by the Corporation. Responsibility for accounting for transactions and internal control over financial reporting lies with senior management ("Management") of the Corporation.

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

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

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

Committee Responsibilities

The Committee shall:

Annual and Quarterly Financial Statements

- review and discuss with Management and the external auditor the annual and interim financial statements of the Corporation and related notes and management's discussion and analysis and make recommendations to the Board of Directors for their approval;
- ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures;
- review and oversee the work of the external auditor for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between Management and the external auditor regarding financial reporting;
- review and discuss with Management and the external auditor, as applicable:
  - all critical accounting policies and practices to be used in the annual audit;
  - major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;
  - analyses prepared by Management or the external auditor setting forth significant financial reporting issues and judgements 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 workor restrictions on the scope of the external auditor's activities or access to requested information and Management's response thereto;
  - the effect of regulatory and accounting initiatives on the financial statements of the Corporation and other financial disclosures;
  - any reserves, accruals, provisions or estimates that may have a significant effect upon the financial statements of the Corporation; and

    - the use of any “pro forma” or “adjusted” information not in accordance with IFRS;
- discuss with Management and the external auditor any accounting adjustments that were noted or proposed by the external auditor or Audit Services but were not adopted (as immaterial or otherwise) and Management or internal control letters issued or proposed to be issued by the Corporation’s external auditor and Management’s response to such letters;
- review other financial information included in the Corporation’s Annual Report to ensure that it is consistent with the Board of Directors’ knowledge of the affairs of the Corporation and is unbiased and non-selective;
- upon the Committee’s request, receive from the Chief Executive Officer and Chief Financial Officer of the Corporation a certificate certifying in respect of each annual and interim report of the Corporation the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws and receive and review disclosures made by such officers regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving Management or persons who have a significant role in the Corporation’s internal controls;
- cause to be prepared any report required by law, regulations or stock exchange requirements to be included in the Corporation’s annual and quarterly reports;

Other Financial Filings and Public Documents

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

Duties Related to Capital Expenditures

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

Internal Control Environment

- ensure that Management, in conjunction with the external auditor and Audit Services, provides to the Committee an annual assessment on the Corporation's control environment as it pertains to the Corporation's financial reporting process and controls;
- in coordination with the Corporate Governance, Nominating and Risk Committee’s oversight of risk, review annually (or as necessary) significant financial risks or exposures and assess the steps Management has taken to monitor, control, report and mitigate such risks to the Corporation, including the Corporation’s risk assessment and risk management policies such as use of financial derivatives and hedging activities;
- review significant findings prepared by the external auditor and Audit Services together with Management's responses;
- review, in consultation with Audit Services and the external auditor, the audit plans of Audit Services and the external auditor and enquire as to the extent the planned scope can be relied upon to detect weaknesses in internal controls, fraud or other illegal acts. The Committee will assess the coordination of audit efforts to assure completeness of coverage and the effective use of audit resources. Any significant recommendations made by the auditor for the strengthening of internal controls shall be reviewed and discussed with Management;
- review annually the administrative reporting protocol for the head of Audit Services;
- review annually the performance and compensation of Audit Services;
- review and approve the annual Audit Services internal audit plan and all major changes to the plan, the internal auditing budget and staffing
- review the following issues with Management and the head of Audit Services:
    - significant findings of the Audit Services group as well as Management’s response to them;
    - any difficulties encountered in the course of their internal audits, including any restrictions on the scope of their work or access to required information; and
    - compliance with the Institute of Internal Auditors’ Standards for the Professional Practice of Internal Auditing;
- review and annually approve the Audit Services Charter;
- approve the appointment, replacement or dismissal of the head of the Audit Services;
- direct the head of Audit Services to review any specific areas the Committee deems necessary;
- confirm and assure annually the independence of Audit Services and the external auditor;

External Auditor

- recommend to the Board of Directors the appointment/reappointment of the external auditor;
- review with the external auditor and Management the general audit approach and scope of proposed audits of the financial statements of the Corporation, the objectives, staffing, locations, co-ordination and reliance upon Management in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits;
- review the terms of the external auditor's engagement letter and recommend to the Board of Directors the compensation to be paid by the Corporation to the external auditor;
- review the reasons for any proposed change in the external auditor and any other significant issues related to the change, including the response of the incumbent external auditor, and enquire as to the qualifications of the proposed external auditor before making its recommendations to the Board of Directors;
- be directly responsible for the retention of (including termination) and oversight of the work of any auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between Management or Audit Services and the auditor regarding financial reporting or the application of any accounting principles or practices;
- require the external auditor and Audit Services to report directly to the Committee;
- provide the external auditor with notice of every meeting of the Committee and, at the expense of the Corporation, the opportunity to attend and be heard thereat, and if so requested by a member of the Committee, require the external auditor to attend every meeting of the Committee held during the term of the office of the external auditor;
- approve all auditing services to be provided by the external auditor and non-audit services to be performed for the Corporation or any affiliated entities by the external auditor or any of their affiliates subject to any *de minimus* exception allowed by applicable law. The Committee may delegate to one or more designated independent members of the Committee the authority to pre-approve non-audit services, provided that any audit or non-audit services that have been pre-approved by any such delegate of the Committee must be presented to the Committee for ratification at its first scheduled meeting following such pre-approval;
- review and approve the disclosure with respect to audit and non-audit services provided by the external auditor;
- review with the external auditor and Management the general audit approach and scope of proposed audits of the financial statements of the Corporation, the objectives, staffing, locations, co-ordination and reliance upon Management in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits;
- discuss with the external auditor, without Management being present, (a) the external auditor's judgement about the quality, integrity and appropriateness of the Corporation's accounting principles and financial disclosure practices as applied in its financial reporting and (b) the completeness and accuracy of the Corporation's financial statements;
- annually request and review a report from the external auditor regarding (a) the external auditor's internal quality control procedures, (b) any material issues raised by the most recent internal quality control review, Canadian Public Accountability Board or Public Company Accounting Oversight Board or other available peer review of the external auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;
- review and confirm the independence of the external auditor, including all relationships between the external auditor and the Corporation;
- evaluate the qualifications and performance of the external auditor;
- review and approve hiring policies regarding partners, employees and former partners and employees of the present and former external auditor;
- ensure that the lead audit partner of the external auditor and the audit partner responsible for reviewing the audit are rotated at least every five years as required by the Sarbanes-Oxley Act of 2002 and Regulation S-X, and further consider rotation of the external auditor firm itself;
- 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;

Committee Governance

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

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

Limitation of Committee's Role

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

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

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

Committee Structure and Authority

(a) Composition

The Committee shall consist of not less than three directors as determined by the Board of Directors, and all of whom shall qualify as independent directors pursuant to (i) National Instrument 52-110 *Audit Committees* (as implemented by the Canadian Securities Administrators and as amended from time to time) ("NI 52-110"); (ii) Section 303A.02 of the NYSE Listed Company Manual; (iii) Rule 10A-3 under the Exchange Act; and (iv) any additional requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the shares of the Corporation are listed for trading .

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

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

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

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

(b) Appointment and Replacement of Committee Members

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

The Board of Directors may fill vacancies on the Committee by appointment from among its number. The Board of Directors shall fill any vacancy if the membership of the Committee is less than three directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all their power so long as a quorum.

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

(c) Quorum

A majority of the Committee present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other shall constitute a quorum.

(d) Review of Charter and Position of the Committee Chair

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

(e) Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee’s responsibilities that lawfully may be delegated.

(f) Reporting to the Board of Directors

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

(g) Committee Chair Responsibilities

The Board of Directors shall appoint a Chair of the Committee, who is expected to provide leadership to the Committee to enhance its effectiveness. In such capacity, the Chair of the Committee will perform the duties and responsibilities set forth in the “Position Description - Audit Committee Chair”.

(h) Calling of Meetings

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

(i) Notice of Meetings

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

(j) Procedure, Records and Reporting

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

(k) Attendance of Others at Meetings

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

(l) Outside Experts and Advisors

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

Approved effective July 31, 2021



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MANAGEMENT'S DISCUSSION & ANALYSIS

Precision Drilling Corporation 2021

This Management's Discussion and Analysis (**MD&A**) contains information to help you understand our business and financial performance. Information is as of March 4, 2022. This MD&A focuses on our Consolidated Financial Statements and Notes and includes a discussion of known risks and uncertainties relating to our business and the oilfield services sector.

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 43. In this MD&A, we reference certain Non-Generally Accepted Accounting Principles (**Non-GAAP**) measures and ratios that are not defined terms under IFRS to assess our performance because we believe they provide useful supplemental information to investors. Our financial measures and ratios are defined on page 44.

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

All amounts are in Canadian dollars unless otherwise stated.

ABOUT PRECISION

Precision Drilling Corporation provides onshore drilling, completion, and production services to exploration and production companies in the oil and natural gas and geothermal industries. We offer customers access to an extensive fleet of high efficiency *Super Series* drilling rigs, further enhanced by our commercialized and industry-leading Alpha™ technologies and EverGreen™ suite of environmental solutions.

Vision

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

You can read about our strategic priorities for 2022 on page 13.

Precision has partnered with several industry leaders to develop its digital portfolio consisting of AlphaAutomation™, AlphaApps™ and AlphaAnalytics™, which delivers efficient, predictable, and repeatable results through enhanced drilling performance.

In 2021, we launched our EverGreen™ suite of environmental solutions, bolstering our commitment to reduce the environmental impact of oilfield operations. Our EverGreen™ suite of environment solutions is comprised of EverGreenMonitoring™, EverGreenEnergy™ and EverGreen™ Fuel Cell.

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

Headquartered in Calgary, Alberta, Canada, we are a leading North American drilling company. We also have operations in 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.

COMPETITIVE ADVANTAGE

From our founding as a private drilling contractor in 1951, Precision has grown to become one of the most active drillers in North America. Our *High Performance*, *High Value* competitive advantage is underpinned by four distinguishing features:

- a high-quality drilling rig fleet, with AC *Super Triple* rigs enabled with our Alpha™ technologies and supported by our EverGreen™ suite of environmental solutions to deliver consistent, repeatable, high-quality wellbores while improving safety, performance, operational efficiency and reducing environmental impact;
- size and scale of our vertically integrated operations that provide higher margins and better service capabilities;
- a diverse culture focused on operational excellence, which includes corporate responsibility, safety and field performance; and
- a capital structure that provides long-term stability, flexibility and liquidity, allowing us to take advantage of business cycle opportunities.

CORPORATE GOVERNANCE

As we work to be financially, environmentally, and socially responsible, Precision is guided by our core values and corporate governance principles. With the support and oversight of our Board of Directors (**Board**), we are committed to maintaining ethics and integrity and recognize that governance practices such as board independence, proactive shareholder engagement and risk management help us sustain the trust we've built with our stakeholders.

To deliver results, we focus on operational excellence, top-tier environmental, social and governance (**ESG**) performance and productive stakeholder engagement. We integrate our health, safety and environmental (**HSE**) commitment into our operations and incorporate ESG performance goals into our compensation program.

In July 2021, we published our second annual Corporate Responsibility Report that documents our progress in ESG efforts and provides an outline of our ESG strategies, focus areas and performance. We invite you to review our Corporate Responsibility Report available at **www.precisiondrilling.com/sustainability**. For additional information regarding ESG matters, we invite you to review our Corporate Responsibility initiatives in our Annual Information Form, dated March 7, 2022.

We foster a culture that is inclusive and encourage our people to contribute their differing perspectives, ideas and experiences to advance the way we live and work. We know that this is not achievable unless we have a diverse and inclusive culture. With this in mind, we have commenced a process to recruit a new female director and increase diversity on our Board in 2022. Our directors have a history of achievement and an effective mix of skills, knowledge and business experience. The directors continue to provide oversight in support of future operations and monitor regulatory developments and governance best practices in Canada, the United States (**U.S.**) and internationally.

As part of their oversight, our Board has established three standing committees, comprised of independent directors, to help carry out its responsibilities effectively:

- Audit Committee;
- Corporate Governance, Nominating and Risk Committee (**CGNRC**); and
- Human Resources and Compensation Committee (**HRCC**).

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

Management has also established internal committees, including an Enterprise Risk Management Committee, a Compliance Committee, a Disclosure Committee and a Health, Safety, Environment and Corporate Responsibility Council (**HSE and Corporate Responsibility Council**). Two of our directors, Dr. Meyers and Ms. MacKenzie, are active members of the HSE and Corporate Responsibility Council and attend quarterly meetings.

BUSINESS SEGMENTS

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

PRECISION DRILLING CORPORATION

CONTRACT DRILLING SERVICES

Drilling Rig Operations
Canada
U.S.
International

Rig Technology and Drilling Optimization
Canada
U.S.

COMPLETION AND PRODUCTION SERVICES

Canada and U.S.
Service Rigs

Canada
Camps and Catering
Equipment Rentals

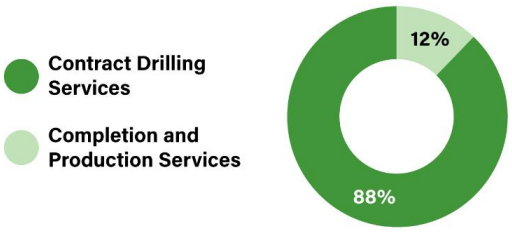
BUSINESS SUPPORT SYSTEMS

Sales and Marketing | Procurement and Distribution | Manufacturing | Equipment Maintenance and Certification | Engineering

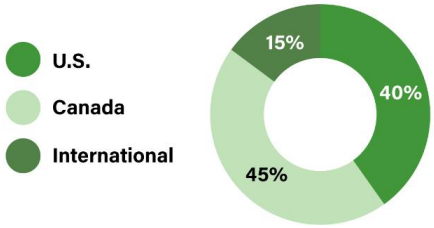
CORPORATE SUPPORT

Information Systems | Health, Safety and Environment | Human Resources | Finance | Legal and Enterprise Risk Mangement

2021 Revenue by Segment



2021 Revenue by Location



Contract Drilling Services

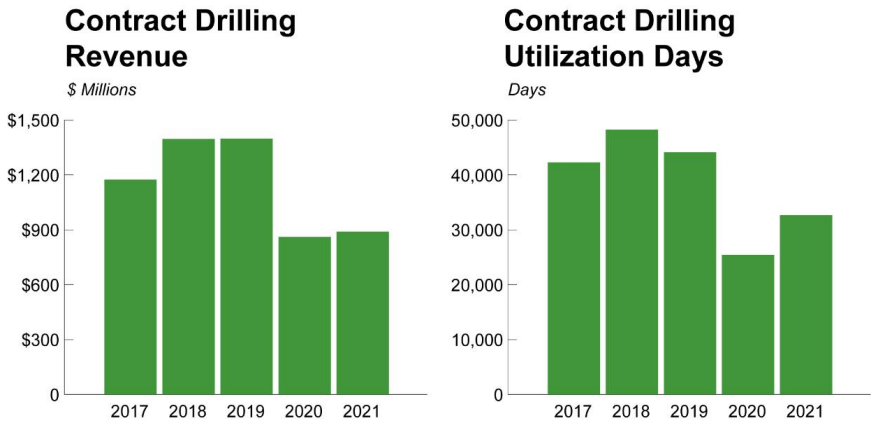
We provide onshore drilling services to exploration and production companies in the oil and natural gas and geothermal industries, operating in Canada, the U.S., and internationally.

We are a large, multi-basin oilfield operator servicing approximately 33% of the active land drilling market in Canada and 9% of the active U.S. market. We also have an international presence with operations in the Middle East.

At December 31, 2021, our Contract Drilling Services segment consisted of:

- 227 Super Series land drilling rigs, including:
  - 109 in Canada
  - 105 in the U.S.
  - 6 in Kuwait
  - 4 in Saudi Arabia
  - 2 in the Kurdistan region of Iraq, and
  - 1 in the country of Georgia
- engineering, manufacturing, and repair services, primarily for Precision's operations
- centralized procurement, inventory, and distribution of consumable supplies for our global operations
- diverse offering of Alpha™ technologies including:
  - 47 Alpha™ rigs with commercial AlphaAutomation™
  - 18 AlphaApps™, 16 of which are commercialized
  - Deployed commercial AlphaAnalytics™ offering
- wide array of offerings from our EverGreen™ suite of environmental solutions:
  - Battery Energy Storage System (**BESS**) and real-time fuel/emissions monitoring capabilities currently offered across North America
  - 4 grid power capable rigs, and
  - 60 natural gas or bi-fuel rigs

Our *Super Series* rigs are state-of-the-art, technologically advanced land drilling rigs ideally suited for development drilling. We have engineered our *Super Series* rigs to exceed performance standards required by top operators by offering highly automated features designed to improve operational efficiencies, provide a safer working environment and deliver consistent results. Our *Super Series* rigs have a broad range of features to meet a diverse range of customer needs with a focus on high efficiency development drilling applications, from drilling shallow- to medium-depth wells to deeper, extended reach horizontal well bores and all depths of conventional wells. Available features include AC power, digital control systems, integrated top drives, omni-directional pad walking systems for multi-pad well drilling, highly mechanized pipe handling, and high-capacity mud pumps. Our *Super Series* Alpha™ rigs deliver exceptional value to our customers by further reducing risks, time and overall well cost. Our Alpha™ technologies drive performance through its core strength of integrating data insights, human ingenuity, automation consistency and smart algorithms, increasing drilling performance and cost efficiencies for our customers.



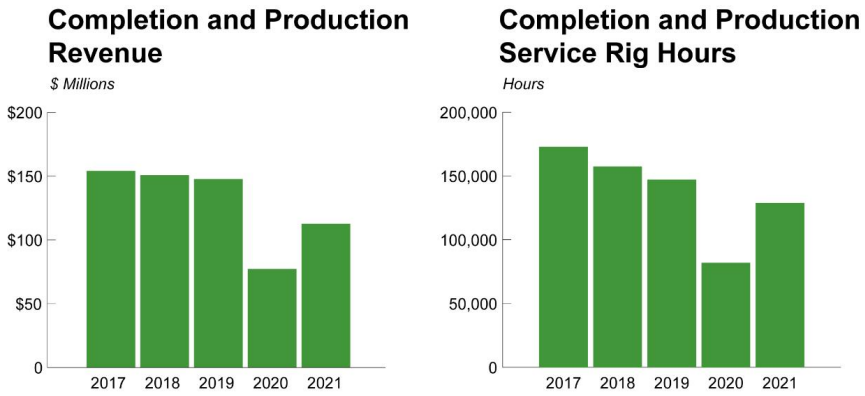
Completion and Production Services

We provide well completion, workover, abandonment, and re-entry preparation services to oil and natural gas exploration and production companies in Canada and the U.S. In addition, we provide equipment rentals and camp and catering services in Canada.

On an operating hour basis in 2021, we serviced approximately 11% of the well completion and workover service rig market demand in Canada.

At December 31, 2021, our Completion and Production Services segment consisted of:

- 123 registered well completion and workover service rigs, including:
  - 113 in Canada
  - 10 in the U.S.
- More than 1,900 oilfield rental items, including surface storage, small-flow water treatment, power generation, and solids control equipment, primarily in Canada
- 109 wellsite accommodation units in Canada
- 943 drill camp beds, 822 base camp beds and three kitchen diners in Canada.



IMPACT OF COVID-19

In 2021, the Novel Coronavirus (**COVID-19**) pandemic persisted as the emergence of virus variants caused further disruptions to global markets. The challenging economic climate continued to have an adverse impact on Precision including, but not limited to, reductions in revenue and cash flows, labour constraints and supply chain inflation. The situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and financial effect on Precision remains unknown at this time. Estimates and judgements made by management in the preparation of our Consolidated Financial Statements and Notes are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

UNDERSTANDING OUR BUSINESS DRIVERS

THE ENERGY INDUSTRY

Precision operates in the energy services business. Our primary customers are oil and natural gas exploration and production companies, who contract our services as part of their exploration and development activities. The economics of their businesses are dictated by the current and expected future margin between their finding and development costs and the eventual market price for the commodities they produce: crude oil, natural gas, and Natural Gas Liquids (**NGLs**).

Unconventional Wells

Unconventional reservoirs are exploited by drilling a vertical section of a well followed by a horizontal section to access a large portion of the oil or natural gas formation. These “unconventional” or “shale” reservoirs are typically lower pressure and require extra stimulation to generate production. The practice of “hydraulic fracturing” follows the unconventional drilling process with high horsepower equipment pumping water and proppant down a wellbore at high pressure to open rock micro fissures, releasing hydrocarbons. The vast majority of the wells we drill in North America are unconventional. We are not involved in the hydraulic fracturing of a well.

Commodity Prices

Our customers’ funding mechanisms used to fund exploration and development is largely dependent on commodity prices: higher prices increase cash flow and encourage investment and when prices decline, the opposite is true.

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

Natural gas and NGLs are priced more regionally. In North America, natural gas demand largely depends on the weather. Colder winter temperatures, and to a lesser extent, warmer summer temperatures, result in greater natural gas demand. Other demand drivers, such as natural gas fired power generation, industrial applications, and transportation, have shown positive growth over the past several years driven by a preference for natural gas over coal and lower prices. NGLs are used as a diluent for crude oil transportation, accordingly market prices are driven by heavy oil pricing and volumes. More recently, higher crude oil prices have contributed to increased NGL prices and, in turn, provided incentives to drill in liquid-rich formations, such as the Montney and Duvernay formations in Canada. The continued development of Liquefied Natural Gas (**LNG**) export capacity in the U.S. and planned export from Canada could serve as a catalyst for natural gas directed drilling activity over the medium to long term.

Average Oil and Natural Gas Prices

	2021	2020	2019
Oil			
West Texas Intermediate (per barrel) (US$)	**67.91**	39.40	57.07
Western Canadian Select (per barrel) (US$)	**54.84**	26.56	44.28
Natural gas			
U.S.			
Henry Hub (per MMBtu) (US$)	**3.72**	2.13	2.56
Canada			
AECO (per MMBtu) (Cdn$)	**3.64**	2.24	1.77

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

Alpha™ Technologies

North American exploration and production companies, which comprise the majority of our customer base, have been increasingly focused on enhancing operational efficiency within their drilling and completion programs. Most of these companies have adopted large-scale industrialization techniques, utilizing multi-well pads and high-efficiency downhole and surface drilling systems to improve efficiency. Over the past several years, drilling rig enhancements have focused on equipment upgrades, such as pad walking systems, digital AC controls and increased fluid pumping capacity. More recently, customers have shifted focus to digital offerings that deliver increased efficiency, consistency, and predictability of results in their development-style drilling programs. Exploration and production companies have displayed an appetite for these technologies as they provide an opportunity to significantly reduce drilling times and improve overall wellbore quality.

Our technology strategy is well-aligned with customer efficiency objectives. We currently leverage our existing base of digital AC control systems installed on all our *Super Triple* drilling rigs. Our standardized rig fleet enables us to reliably mass deploy our advanced digital platform capable of delivering leading-edge digital automation and significantly boosting efficiency of the well construction process. Our technology strategy is centered around partnering with industry experts which allows us to deliver an extensive suite of offerings to our customers with minimal research and development cost. Our early investment in field-hardening our digital offering and training key personnel has allowed us to rapidly scale our *Super Series* rig fleet following the commercialization of our Alpha™ technologies throughout North America. Our digital technology strategy is currently focused on four fundamentals:

1. *AlphaAutomation™*
   We leverage our standardized fleet to deploy our fully integrated AlphaAutomation™ system (**AlphaAutomation**™), which allows us to consistently implement best practices to eliminate human variance, resulting in significantly improved drilling efficiency. In addition to built-in process automation routines, AlphaAutomation™ hosts Precision Drilling Apps (**AlphaApps**™), which leverage advanced algorithms and exploitation of various machine learning techniques to improve complex down-hole drilling processes. The standard platform is encouraging innovation in the drilling app space by attracting innovative solutions from customers and third parties inside and outside the oil and natural gas industry. We installed our first AlphaAutomation™ system in late 2016 and, as at December 31, 2021 had 47 commercialized AlphaAutomation™ systems deployed in the field that have drilled over 2,100 wells to date. We intend to deploy additional AlphaAutomation™ systems in North America in 2022, further strengthening our digital leadership position.

2. *AlphaApps™*
   Our open platform is capable of supporting internal, customer or third party developed applications, designed to further enhance the overall drilling function. To date, Precision has 18 available AlphaApps™, 16 commercialized, which execute multiple on-bottom, cost control, equipment optimization and emissions reduction functions. AlphaApps™ maximize the performance of the entire drilling process, resulting in increased drilling performance and cost efficiencies for our customers.

3. *AlphaAnalytics™*
   Our digital platform captures more than 1 GB/min of data, versus a limited number of data channels from traditional Electronic Data Recorders, known as EDR systems. We have a robust data analytics offering (**AlphaAnalytics** ™) focused on improving rig performance and financial returns through the commercialization of performance data to drive optimization and performance KPI's. To date, AlphaAnalytics™ has generated successful results, setting new efficiency benchmarks across multiple basins.

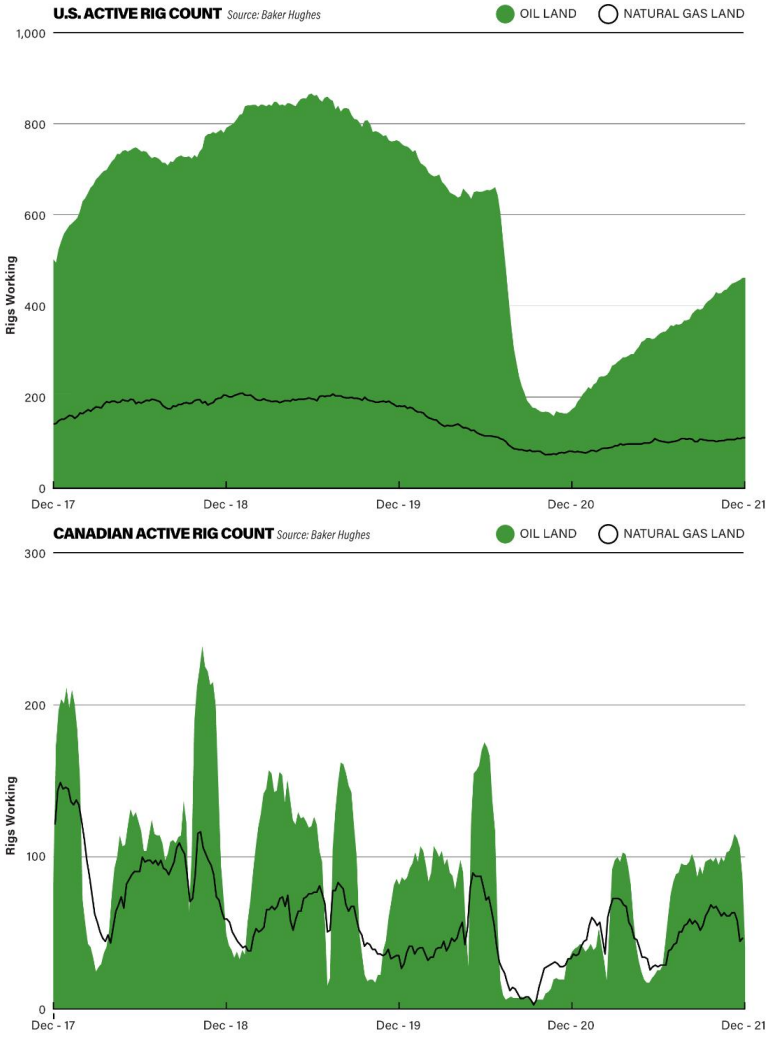
4. *Leading-Edge Corporate-Wide Data Systems and Technology Culture*
   In 2018, we implemented SAP S/4HANA to fully realize the benefits of the system's integration with our digital service delivery platform. This robust SAP Enterprise Resource Planning (**ERP**) system is built to support the increased data flows from the field. Precision remains committed to its digital technology strategy which has enabled us to build a strong digital mindset throughout the company.

The combination of our *High Performance* standardized rig fleet, integrated AlphaAutomation™, AlphaApps™ and AlphaAnalytics™ help our customers achieve their efficiency goals and generate strong returns for our shareholders through service differentiation.

Drilling Activity

North American drilling activity continues to recover after the steep decline in the second quarter of 2020 as reduced global oil demand caused by COVID-19 and prolonged periods of commodity price volatility spurred significant reductions in customer spending. In 2021, approximately 10,500 wells were started onshore in the U.S., compared with approximately 8,400 in 2020 and 18,000 in 2019. The industry drilled 4,557 wells in western Canada in 2021, compared with 2,960 in 2020 and 4,679 in 2019. Total industry drilling operating days were 43,795 in 2021 compared with 29,741 in 2020 and 45,334 in 2019. In Canada, there has been relative strength in natural gas liquids and tight light oil drilling activity in the deeper basins of northwestern Alberta and northeastern British Columbia. In 2021 and into early 2022, more drilling activity has occurred in the traditional heavy oil regions of Canada as well as the Clearwater play. In the U.S. the bias towards oil-directed drilling continues.

The graphs below show the shift in drilling activity to oil targets since 2017, in both the U.S. and Canada. The Canadian drilling rig activity graph also shows how Canadian drilling activity fluctuates with the seasons, a market dynamic that generally is not present in the U.S.



A COMPETITIVE OPERATING MODEL

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

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

Operating Efficiency

We keep customer well costs down by maximizing operating efficiency and minimizing environmental impact in several ways:

- using innovative and advanced drilling technology that is efficient, reduces costs and minimizes impact on the environment,
- having equipment that is geographically dispersed, reliable and well maintained,
- monitoring our equipment to minimize mechanical downtime,
- managing operations effectively to keep non-productive time to a minimum,
- staffing well trained crews, with performance measured against defined competencies,
- incentivizing our executives and eligible employees based on performance against safety, operational, employee retention, strategic and financial measures, and
- employing industry leading alternative rig energy sources and fuel monitoring to reduce emissions and cost.

Efficient, Sustainable, Cost-Reducing Technologies

We focus on providing efficient, cost-reducing drilling technologies. Design innovations and technology improvements, such as multi-well pad capability and rapid mobility between wells, capture incremental time savings during the drilling process. Precision has invested over $3 billion in its drilling rig fleet since 2010, adding over 125 *Super Series* drilling rigs during the period. With one of the newest and most technically capable fleets in North America and the Middle East, Precision's *Super Series* rigs have been designed for industrial-style drilling: highly efficient, mobile, safe, controllable, upgradable, and able to act as a platform for digital technology delivery to the well location. Precision has completed relatively low dollar cost upgrades over the past several years, including additions of pad walking systems, higher pressure and capacity mud pumps, increased setback capacity and AlphaAutomation™, AlphaApps™ and AlphaAnalytics™. In 2021, we launched our EverGreen™ suite of environmental solutions, focused on reducing and quantifying wellsite greenhouse gas (**GHG**) emissions. Our Battery Energy Storage System provides significant reductions in hydrocarbon fuel use, and in turn a similar reduction in GHG emissions and fuel cost. While our Integrated Power & Emissions Fuel Monitoring System measures wellsite GHG emissions, providing our customers with real-time insight into the correlation between power demand, fuel consumption, and resulting GHG emissions throughout the well construction process. Capturing and analyzing this data across different rigs, well profiles, engine types and geographic areas, will meaningfully improve both Precision's and our customers' understanding of the variability of land drilling GHG emissions and help operate power generating equipment with optimal fuel consumption and carbon footprint efficiency. Precision's *Super Series* drilling rig fleet meets the industrial-style drilling requirements of our customers in North America and deep, high-pressure/high-temperature drilling projects internationally. As of December 31, 2021, we had 227 *Super Series* rigs in our fleet.

Broad Geographic Footprint

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

Managing Downtime

Minimizing downtime and non-productive time is a key operating metric for us and our customers. Reliable and well-maintained equipment and highly skilled crews 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 the non-productive time (to move, rig-up and rig-out) by utilizing pad walking systems, reducing the number of move loads per rig, and using mechanized equipment for safer and quicker rig component connections.

Crew Experience

Customer's desire experienced, proven and stable crews as they believe this leads to safer and more economic operations. Customers will usually pay a premium for a hot crew or one they have prior experience with. We focus on training, developing and retaining key leaders of our field crews, including positions referred to as driller, rig manager, and field superintendent.

Retaining these key personnel, even through periods of low activity, allows us to respond quickly with highly experienced, customer preferred, field crews during periods of increasing activity.

Tracking Our Results

We unitize key financial information per day 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 statistics to evaluate our performance against competitors.

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

- safety performance – total recordable incident rate per 200,000 man-hours, recordable free facilities, and "Triple Target Zero" days (defined on page 10 under 'Safe Operations'). Measured against prior year performance and current year industry performance in Canada and the U.S.,
- operational performance – rig downtime for repair as measured by time not billed to the customer. Measured against a predetermined target of available billable time,
- key field employee retention – senior field employee retention rates. Measured against predetermined target rates of retention,
- strategic and ESG initiatives – achieving strategic operational and ESG goals. Measured against predetermined target metrics,
- financial performance – Adjusted EBITDA, return on capital employed, debt reduction and debt leverage. Measured against predetermined targets, and
- investment returns – total shareholder return performance (including dividends) against a group of industry peers, over a three-year period. The peer group consists of a predetermined group of companies with similar business operations that we compete with for investors.

Top Tier Service

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

Safe Operations

Safety and employee health 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 five separate metrics:

- Total Recordable Incident Rate,
- Facilities Recordable Free,
- Triple Target Zero Days,
- High Potential or Near Miss (**HIPO**), and
- Serious Injury and Fatality (**SIF**).

Target Zero

The health and safety of our employees is a core value at Precision, and daily we work to set the standard for safety in our industry.

Total Recordable Incident Rate is an industry standard and benchmarks our success and isolates areas for improvement. We have taken it to another level by tracking and measuring all injuries, regardless of severity, because they are leading indicators for the potential for more serious events.

Facilities Recordable Free includes all our rigs, operating centres and offices and measures how many of our facilities do not have a recordable incident during the year.

In addition, we have a goal of achieving "Triple Target Zero" every day. A Triple Target Zero day is a day when we have no high potential work-related vehicle incidents, recordable injuries or reportable spills. We had 312 Triple Target Zero Days in 2021.

We introduced HIPO and SIF tracking in 2021 and have included a SIF metric in our 2022 short-term incentive plan. A HIPO event is defined as a near miss or other incident that has a severity potential to cause a fatality, life threatening or life altering injury, major equipment or asset damage, major environmental harm, or major operational loss. A SIF event is a near miss or incident that has a severity potential to cause a fatal or life-altering injury or illness. SIF enhances our focus on identifying and preventing the incidents that pose the greatest risk.

We foster our safety culture through strong leadership, technical and compliance training, and proven support systems. Every day, we invest in our field employees to prepare them for any and every situation on the rig. Our technical support centre training facilities are located in Houston, Texas, and Nisku, Alberta. These facilities are used to train employees on our culture, responsibilities, tools and equipment, safety and environmental protocols and procedures, leadership, and team building.

High Performance Rig Fleet

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

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

We continuously review our rig designs and components and use advanced technology to operate safely, improve our equipment life cycle, maintain operational efficiency and reduce energy use.

Upgrade Opportunities

We leverage our internal manufacturing and repair capabilities and inventory of quality rigs to address market demand through upgraded drilling rigs. Upgrades are typically performed at the request of a customer and are secured by a term contract. Historically, certain upgrades have resulted in a change in classification to *Super Series*.

Ancillary Equipment and Services

An inventory of equipment (top drives, loaders, boilers, tubulars, and well control equipment) supports our fleet of drilling and service rigs. We also maintain an inventory of key rig components to minimize downtime due to equipment failure. We benefit from internal services for equipment certifications and component manufacturing from our manufacturing division in Canada and for standardization and distribution of consumable oilfield products through our procurement divisions in Canada and the U.S.

Precision Rentals provides specialized equipment and wellsite accommodations to customers on a rental basis. Precision Camp Services provides food and accommodation to personnel, typically working in remote locations in Western Canada.

Technical Centres

We operate two contract drilling technical centres, one in Nisku, Alberta and one in Houston, Texas, and one completion and production services technical centre in Red Deer, Alberta. These centres accommodate our technical service and field training groups and consolidate field support and training for our operations. The Houston and Nisku facilities have fully-functioning training rigs with the latest drilling technologies. Also, our Houston facility accommodates our rig manufacturing group.

People

There are often shortages of industry manpower in peak operating periods. Having an experienced *High Performance* crew is a competitive strength and is highly valued by our customers. We rely heavily on our safety record, investment in employee development, comprehensive employee training, competency development and reputation to attract and retain employees.

Our people strategies focus on initiatives that provide a safe and productive work environment, opportunity for advancement, and added wage security. We have centralized personnel, orientation and training programs in Canada and the U.S. Our people strategies have enabled us to deliver quality field crews at all points in the industry cycle.

Systems

Our ERP system is fully integrated with our drilling rigs, field facilities and corporate offices, increasing operating efficiencies and better positioning the organization to capture and analyze increased data flow within our business. All our divisions operate using standardized business processes across marketing, equipment maintenance, procurement, manufacturing, HSE, inventory control, engineering, finance, payroll and human resources.

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

Corporate Responsibility

Corporate Responsibility is integral to Precision's vision, mission and competitive strategy as we believe that operating a sustainable and responsible company is critical to our long-term success. We believe our Corporate Responsibility approach and initiatives drive business execution and create a competitive advantage. Precision's *High Performance, High Value* competitive strategy is supported by and reliant upon safety performance, environmental stewardship, employee well-being and training and community involvement. Our employees, investors and customers reward our commitment to Corporate Responsibility and recognize that it provides us the ability to attract talent, capital and a premium for our services. For specific information regarding ESG matters, we invite you to review our Corporate Responsibility initiatives in our Annual Information Form, dated March 7, 2022.

AN EFFECTIVE STRATEGY

Our Corporate and Competitive Strategies are designed to optimize resource allocation and differentiate us from the competition, generating value for investors. Unconventional drilling remains the primary opportunity in the North American marketplace and requires the most efficient and technically capable drilling rigs and other highly developed services that facilitate the drilling of reliable, predictable and repeatable horizontal wells. Customer adoption of large-scale industrialization techniques and high efficiency rig systems continues to increase and our *Super Series* rig fleet, *High Performance, High Value* strategy, Alpha™ technologies and EverGreen™ suite of environmental solutions position us to benefit from that trend. In addition, the completion and production work associated with unconventional wells provides the most profitable growth opportunities for our Completion and Production Services segment.

Precision's vision is to be globally recognized as the *High Performance, High Value* provider of land drilling services. We work toward this vision by defining and measuring our results against strategic priorities we establish at the beginning of every year. We summarized the results of our 2021 strategic priorities.

2021 Strategic Priorities	2021 Results
Grow revenue and market share through our digital leadership position	Revenue increased by 6% as compared with 2020 as we achieved an average market share of 33% in Canada and 9% in the U.S. We realized U.S. drilling margins (revenue less operating costs) of US$6,165 per utilization day, supported by contracted revenues and rigid cost control. Our Canadian drilling margins were $7,371 per utilization day, driven by a favorable rig mix of larger AC *Super Triples*. Internationally, our day rates decreased to $52,069 per utilization day due to the expiration of drilling contracts. Our Completion and Production Services segment reported Adjusted EBITDA growth of 20% to $6 million, with year-over-year service rig activity growth of 55%. We ended the year with of 47 Alpha™ rigs deployed in the North American market. In 2021, we increased our paid AlphaAutomation™ days by 123% versus the prior year. We have drilled over 2,100 wells since the roll-out of AlphaAutomation™, including 765 wells in 2021. We had 18 AlphaApps™ available, 16 of which were commercialized. Our paid AlphaApps™ days in 2021 increased by more than 600% year-over-year. During 2021, we drilled 765 wells with AlphaApps™, resulting in over 3,900 AlphaApps™ days during the year. In the fourth quarter of 2020, we commercialized our AlphaAnalytics™ offering. Over the year, we steadily increased our paid AlphaAnalytics™ days. In 2021, our fourth quarter paid AlphaAnalytics™ days increased 108% as compared with 2020.
Demonstrate operational leverage to generate free cash flow and reduce debt	Total debt reduction for the year was $115 million, exceeding the midpoint of our targeted range of $100 million to $125 million. This is our fourth consecutive year of achieving our stated debt reduction target and, as at December 31, 2021, we have reduced our debt levels by approximately $665 million since 2018. We issued US$400 million of unsecured senior notes due in 2029, using the proceeds along with drawings on our Senior Credit Facility to redeem in full our 2023 and 2024 unsecured senior notes. In addition, we extended the maturity of our Senior Credit Facility to June 18, 2025. Accordingly, we successfully extended our debt maturities with our earliest maturity date in 2025. We reported cash provided by operations of $139 million and an ending cash balance of $41 million. As at December 31, 2021, we had more than $530 million in available liquidity, providing financial flexibility to capture anticipated industry activity growth in 2022, reduce debt and repurchase common shares pursuant to our Normal Course Issuer Bid (**NCIB**). We disposed of non-core and underutilized assets for proceeds of $13 million. During the year, we repurchased and cancelled 155,168 common shares for $4 million.
Deliver leading ESG (environmental, social and governance) performance to strengthen customer and stakeholder positioning	We released our second annual Corporate Responsibility report during the second quarter and formed our 'E-Team' and 'S-Team', which are cross-functional teams tasked to develop and implement certain ESG strategies and tactics. Precision's EverGreen™ suite of environmental solutions was launched in 2021, with development and implementation of multiple technologies aimed at reducing and quantifying greenhouse gas emissions at the wellsite. As part of our EverGreenEnergy™ sub-product line, our BESS was tested and validated to provide significant reductions in hydrocarbon fuel use, and in turn a similar reduction in emissions and fuel cost. This successful testing resulted in customer agreements for three BESS units scheduled for deployment in the first quarter of 2022, and several additional pending commitments expected by mid-year. We also completed testing and field-hardening of our Integrated Power & Emissions Fuel Monitoring System, part of our EverGreenMonitoring™ sub-product line, which is capable of measuring and communicating real-time wellsite GHG emissions. By the end of the first quarter of 2022, we expect to have eight Integrated Power & Emissions Monitoring Systems deployed, providing our customers with real-time insight into the correlation between power demand, fuel consumption, and resulting GHG emissions throughout the well construction process. Capturing and analyzing this data across different rigs, well profiles, engine types and geographic areas, will meaningfully improve both Precision's and our customers' understanding of the variability of land drilling GHG emissions and help operate power generating equipment with optimal fuel consumption and carbon footprint efficiency.

We established the following strategic priorities for 2022:

2022 Strategic Priorities
▪ **Grow revenue through scaling Alpha™ technologies and EverGreen™ suite of environmental solutions across Precision's *Super Series* rig fleet and further competitive differentiation through ESG initiatives.**
▪ **Grow free cash flow by maximizing operating leverage as demand for our *High Performance, High Value* services continues to rebound.**
▪ **Utilize free cash flow to continue strengthening our balance sheet while investing in our people, equipment and returning capital to shareholders.**

2021 RESULTS

Financial Highlights

Year ended December 31 *(in thousands of dollars, except where noted)*	2021	% increase/ (decrease)	2020	% increase/ (decrease)	2019	% increase/ (decrease)
Revenue	**986,847**	**5.5**	935,753	(39.3)	1,541,320	0.0
Adjusted EBITDA(1)	**192,772**	**(26.8)**	263,403	(32.7)	391,305	4.3
Adjusted EBITDA % of revenue(1)	**19.5%**		28.1%		25.4%	
Net earnings (loss)	**(177,386)**	**47.7**	(120,138)	(1,915.3)	6,618	(102.2)
Cash provided by operations	**139,225**	**(38.4)**	226,118	(21.5)	288,159	(1.8)
Funds provided by operations(1)	**152,243**	**(10.8)**	170,727	(41.7)	292,652	(6.0)
Cash used in investing activities	**56,613**	**39.7**	40,517	(45.6)	74,500	(26.1)
Capital spending by spend category(1)						
Expansion and upgrade	**19,006**	**(29.2)**	26,858	(77.8)	120,910	82.6
Maintenance and infrastructure	**56,935**	**64.2**	34,677	(11.0)	38,976	(19.4)
Intangibles	**—**	**(100.0)**	57	(92.9)	808	(93.0)
Proceeds on sale of property, plant and equipment	**(13,086)**	**(38.0)**	(21,094)	(76.8)	(90,768)	271.1
Net capital spending(1)	**62,855**	**55.2**	40,498	(42.1)	69,926	(31.2)
Earnings (loss) per share ($)						
Basic	**(13.32)**	**52.1**	(8.76)	(2,004.3)	0.46	(102.3)
Diluted	**(13.32)**	**52.1**	(8.76)	(2,046.7)	0.45	(102.2)

(1) See Financial Measures and Ratios on page 44 of this report.

Operating Highlights

Year ended December 31	2021	% increase/ (decrease)	2020	% increase/ (decrease)	2019	% increase/ (decrease)
Contract drilling rig fleet	**227**	**—**	227	0.4	226	(4.2)
Drilling rig utilization days						
U.S.	**14,494**	**20.0**	12,080	(54.5)	26,544	(0.6)
Canada	**15,782**	**46.2**	10,794	(25.5)	14,498	(22.1)
International	**2,190**	**(13.3)**	2,526	(18.3)	3,093	5.9
Revenue per utilization day						
U.S. (US$)	**21,213**	**(19.0)**	26,184	11.9	23,397	7.0
Canada (Cdn$)	**21,105**	**(2.3)**	21,611	0.2	21,569	(0.3)
International (US$)	**52,837**	**(3.6)**	54,811	6.7	51,360	1.8
Operating cost per utilization day						
U.S. (US$)	**15,048**	**2.6**	14,666	1.5	14,447	0.8
Canada (Cdn$)	**13,734**	**1.4**	13,546	(11.1)	15,240	5.2
Service rig fleet	**123**	**—**	123	—	123	(41.4)
Service rig operating hours	**126,840**	**54.8**	81,952	(44.3)	147,154	(6.5)

Financial Position and Ratios

(in thousands of dollars, except ratios)	December 31, 2021	December 31, 2020	December 31, 2019
Working capital(1)	**81,637**	175,423	201,696
Working capital ratio(1)	**1.3**	2.1	1.9
Long-term debt(2)	**1,106,794**	1,236,210	1,427,181
Total long-term financial liabilities	**1,185,858**	1,304,162	1,500,950
Total assets	**2,661,752**	2,898,878	3,269,840
Enterprise value(1)(3)	**1,660,781**	1,409,147	1,854,393
Long-term debt to long-term debt plus equity	**0.5**	0.5	0.5
Long-term debt to cash provided by operations(1)	**7.9**	5.5	5.0

(1) See Financial Measures and Ratios on page 44 of this report.
(2) Net of unamortized debt issue costs.
(3) See page 28 for more information.

Consolidated Statements of Net Earnings (Loss) Summary

Year ended December 31 *(in thousands of dollars)*	**2021**	2020	2019
Revenue			
Contract Drilling Services	**877,943**	861,202	1,399,068
Completion and Production Services	**113,488**	77,251	147,829
Inter-segment elimination	**(4,584)**	(2,700)	(5,577)
	986,847	935,753	1,541,320
Adjusted EBITDA[1]			
Contract Drilling Services	**231,532**	300,425	429,483
Completion and Production Services	**23,807**	11,257	24,155
Corporate and Other	**(62,567)**	(48,279)	(61,733)
	192,772	263,403	391,905
Depreciation and amortization	**282,326**	316,322	333,616
Gain on asset disposals	**(8,516)**	(11,931)	(50,741)
Loss on asset decommissioning	**—**	—	20,263
Reversal of impairment of property, plant and equipment	**—**	—	(5,810)
Foreign exchange	**393**	4,542	(8,722)
Finance charges	**91,431**	107,468	118,453
Loss on investments and other assets	**400**	—	—
Loss (gain) on redemption and repurchase of unsecured senior notes	**9,520**	(43,814)	(6,815)
Loss before income tax	**(182,782)**	(109,184)	(8,339)
Income taxes	**(5,396)**	10,954	(14,957)
Net earnings (loss)	**(177,386)**	(120,138)	6,618

(1) See Financial Measures and Ratios on page 44 of this report.

Results by Geographic Segment

Year ended December 31 *(in thousands of dollars)*	**2021**	2020	2019
Revenue			
U.S.	**398,024**	444,052	871,651
Canada	**443,772**	305,613	459,377
International	**145,051**	186,088	210,292
	986,847	935,753	1,541,320
Total assets			
U.S.	**1,247,173**	1,339,945	1,560,523
Canada	**959,163**	1,053,921	1,133,591
International	**455,416**	505,012	575,726
	2,661,752	2,898,878	3,269,840

2021 COMPARED WITH 2020

2021 was highlighted by increasing industry activity, supported by strengthening commodity prices, as global oil and natural gas demand approached pre-pandemic levels and customers sought to replenish depleted well inventories. In the U.S., West Texas Intermediate (**WTI**) oil prices averaged US$67.91 per barrel and Henry Hub natural gas prices averaged US$3.72 per MMBtu, representing an increase of 72% and 75% from 2020, respectively. In Canada, Western Canadian Select (**WCS**) and AECO natural gas price averaged US$54.84 and $3.64 in 2020, respectively. Average WCS pricing was 106% higher than 2020 while AECO increased by 63%.

As compared with 2020, our revenue in 2021 increased by 5% to $987 million. Our higher revenue in the year was primarily the result of higher North American drilling and service activity, partially offset by lower average drilling day rates across all regions. We recognized Adjusted EBITDA in 2021 of $193 million, 27% lower than in 2020. Our lower Adjusted EBITDA in the current year was primarily due to higher share-based compensation charges, lower average drilling day rates and the impact of lower idle but contracted rig revenue, partially offset by higher drilling and service activity and lower restructuring costs. As compared with 2020, our U.S. drilling activity increased 20%, Canadian activity increased 46% and international activity decreased 13%. In addition, our service rig operating hours increase 55% compared with the prior year. Our net loss in 2021 was $177 million, or $13.32 per diluted share, compared with a net loss of $120 million, or $8.76 per diluted share, in 2020.

Issue and Redemption of Unsecured Senior Notes

During the year, we issued US$400 million of 6.875% unsecured senior notes due in 2029 in a private offering. These unsecured senior notes were issued at a price equal to 99.253% of face value. The net proceeds from the issuance, along with amounts drawn on our Senior Credit Facility, were used to redeem in full US$286 million aggregate principal amount of our 7.750%

unsecured senior notes due 2023 and redeem in full US$263 million aggregate principal amount of our 5.250% unsecured senior notes due 2024 for a total of US$557 million, plus accrued and unpaid interest, resulting in a loss on redemption of US$8 million.

Finance Charges

Finance charges were $91 million, a decrease of $16 million compared with 2020 and were primarily due to a reduction in interest expense related to retired debt and the impact of the strengthening of the Canadian dollar on our U.S. dollar denominated interest, partially offset by higher amortization of debt issue costs.

Capital Spending and Long-Lived Assets

Capital expenditures for the purchase of property, plant and equipment and intangible assets were $76 million in 2021, an increase of $14 million from 2020. By spend category, our capital spending included $19 million for expansion and upgrades and $57 million for the maintenance of existing assets, infrastructure and intangibles.

Under IFRS, we review the carrying value of our long-lived assets for indications of impairment at the end of each reporting period. At December 31, 2021, we reviewed each of our cash-generating units (**CGUs**) and did not identify indications of impairment, or reversal of impairment and therefore, did not test our CGUs for impairment.

During the year, we disposed of our directional drilling business for a gain of $1 million.

Foreign Exchange

We recognized a foreign exchange expense of $0.4 million in 2021 (2020 – $5 million). The lower foreign exchange expense in the current year was due to the translation impact of lower outstanding U.S. denominated intercompany payables.

Income Taxes

In 2021, we recognized an income tax recovery of $5 million as compared with an income tax expense of $11 million in 2020. The income tax recovery in the current year was primarily the result of the reversal of temporary differences. In 2021, we continued to not recognize the benefit of Canadian and certain international deferred tax assets.

2020 COMPARED WITH 2019

As compared with 2019, our revenue, Adjusted EBITDA and net earnings declined in 2020 primarily due to lower activity levels across all segments as volatile commodity prices and uncertain outlook on global oil demand caused by the COVID-19 pandemic resulted in conservative customer spending throughout the year. Our 2020 revenue declined 39% from the prior year while Adjusted EBITDA was $263 million, a decrease of $128 million from 2019. Net loss in 2020 was $120 million, or a net loss of $8.76 per diluted share, compared with net earnings of $7 million, or $0.45 per diluted share, in 2019.

Restructuring

In 2020, we incurred $18 million of restructuring charges, as compared with $6 million in 2019. Our restructuring charges were comprised of severance and costs associated with the shutdown of our U.S. directional drilling operations as we continued to align our structure and personnel with a lower activity environment.

Capital Spending and Long-Lived Assets

Capital expenditures for the purchase of property, plant and equipment and intangible assets were $62 million in 2020, a decrease of $99 million from 2019. By spend category, our capital spending included $27 million for expansion and upgrades and $35 million for the maintenance of existing assets, infrastructure and intangibles.

Under IFRS, we review the carrying value of our long-lived assets for indications of impairment at the end of each reporting period. At March 31, 2020, we tested all CGUs for impairment and no impairment charges were identified. At December 31, 2020, we reviewed each CGU and did not identify any indications of impairment. Accordingly, we did not test our CGUs for impairment.

Through normal course disposal, we recognized a gain on asset disposals of $12 million as compared with $51 million in 2019. In the prior year, we sold our Mexico-based drilling rigs and ancillary equipment for total proceeds of US$48 million, recognizing a gain on asset disposal of US$24 million and reversed US$4 million of previous impairment charges. In 2019, we decommissioned certain assets that no longer met our *High Performance* technology standard for a loss on asset decommissioning of $20 million. We did not decommission any assets in 2020.

Foreign Exchange

We recognized a foreign exchange loss of $5 million in 2020 (2019 – $9 million gain) due to the weakening of the Canadian dollar against the U.S. dollar. This affected the net U.S. dollar denominated monetary position in our Canadian dollar-based companies and the translation of our U.S. denominated intercompany payables.

Finance Charges

In 2020, Finance charges were $107 million, a decrease of $11 million compared with 2019 and was primarily due to a reduction in interest expense related to debt retired, partially offset by the impact of the weakening of the Canadian dollar on our U.S. dollar denominated interest.

Gain on Redemption and Repurchase of Unsecured Senior Notes

During 2020, we were able to repurchase our unsecured senior notes at a discount. We retired our 6.50% unsecured senior notes due 2021 through redemptions of US$88 million principal amount and repurchases and cancellations of US$3 million. We repurchased and cancelled US$44 million of our 5.25% unsecured senior notes due 2024, US$22 million of our 7.125% unsecured senior notes due 2026 and US$59 million of our 7.75% unsecured senior notes due 2023. We recognized a gain of $44 million on the repurchase of our unsecured senior notes. In comparison, during 2019, we redeemed and/or repurchased and cancelled US$153 million of our previously outstanding unsecured senior notes for a gain of $7 million.

Income Taxes

In 2020, we recognized an income tax expense of $11 million as compared with a recovery of $15 million in 2019. The higher income tax expense in the current year was primarily the result of not recognizing the benefit of Canadian and certain international deferred tax assets.

SEGMENTED RESULTS

CONTRACT DRILLING SERVICES

Financial Results

Year ended December 31 *(in thousands of dollars, except where noted)*	**2021**	**% of revenue**	2020	% of revenue	2019	% of revenue
Revenue	**877,943**		861,202		1,399,068	
Expenses						
Operating	**618,327**	**70.4**	526,716	61.2	927,612	66.3
General and administrative	**28,084**	**3.2**	26,441	3.1	38,927	2.8
Restructuring	**—**	**—**	7,620	0.9	3,046	0.2
Adjusted EBITDA[1]	**231,532**	**26.4**	300,425	34.9	429,483	30.7
Depreciation and amortization	**256,072**	**29.2**	288,389	33.5	300,882	21.5
Gain on asset disposals	**(7,673)**	**(0.9)**	(10,171)	(1.2)	(46,849)	(3.3)
Loss on asset decommissioning	**—**	**—**	—	—	20,263	1.4
Reversal of impairment of property, plant and equipment	**—**	**—**	—	—	(5,810)	(0.4)
Operating earnings (loss)[1]	**(16,867)**	**(1.9)**	22,207	2.6	160,997	11.5

(1) See Financial Measures and Ratios on page 44 of this report.

2021 Compared with 2020

Revenue from Contract Drilling Services was $878 million, 2% higher than 2020 due to higher drilling activity in North America, offset by lower average revenue day rates and lower international activity. In 2021, we did not recognize any U.S. idle but contracted rig revenue as compared with US$37 million in the prior year. In Canada, we recognized $1 million of shortfall payments, consistent with 2020.

Operating expenses in 2021 were 70% of revenue, 9% higher than the prior year and was primarily due to the impact of lower U.S. idle but contracted rig revenue. On a per utilization day basis, in the U.S., operating costs were 3% higher than the prior year primarily due to higher rig operating expenses and repairs and maintenance, offset by fixed operating overheads spread over more utilization days. Operating costs on a per day basis in our Canadian drilling rig division were 1% higher than in 2020, primarily due to increased industry-wide wage increases.

General and administrative expenses for 2021 increased by 6% higher due to higher share-based compensation charges resulting from our increased share price. In 2020, we incurred $8 million of restructuring charges, as we aligned our cost structure and personnel to reflect lower drilling activity.

During the year, we recognized Canada Emergency Wage Subsidy (**CEWS**) program assistance of $16 million, as compared with $15 million in 2020.

Our 2021 operating loss was $17 million as compared with operating earnings of $22 million in the prior year. Our lower operating earnings in 2021 was primarily due to the impact of lower idle but contracted rig revenue and higher share-based compensation charges, partially offset by lower depreciation and amortization.

Our depreciation expense for 2021 was lower by 11% compared with the prior year due to asset sales and assets becoming fully depreciated.

During the year, we disposed of our directional drilling business for a gain of $1 million.

Capital expenditures in 2021 for our Contract Drilling segment were $71 million. Our capital spending by spend category was:

- $19 million – to upgrade and expand our asset base.
- $52 million – on maintenance and infrastructure.

Operating Statistics

Year ended December 31	**2021**	**% increase/ (decrease)**	2020	% increase/ (decrease)	2019	% increase/ (decrease)
Number of drilling rigs (year-end)	**227**	**—**	227	0.4	226	(4.2)
Drilling utilization days (operating and moving)						
U.S.	**14,494**	**20.0**	12,080	(54.5)	26,544	(0.6)
Canada	**15,782**	**46.2**	10,794	(25.5)	14,498	(22.1)
International	**2,190**	**(13.3)**	2,526	(18.3)	3,093	5.9
Drilling revenue per utilization day						
U.S.	**21,213**	**(19.0)**	26,184	11.9	23,397	7.0
Canada	**21,105**	**(2.3)**	21,611	0.2	21,569	(0.3)
International	**52,837**	**(3.6)**	54,811	6.7	51,360	1.8

U.S. Drilling

Revenue from U.S. drilling was US$307 million, 3% lower than 2020. Drilling rig activity, as measured by utilization days, was up 20% from 2020 while average revenue per day was down 19%.

Adjusted EBITDA was US$78 million, 37% lower than 2020, mainly because of lower average day rates and idle but contracted revenue, partially offset by higher activity and lower restructuring costs.

Our average day rates in the U.S. decreased 19% compared with 2020 due to lower average day rates and revenue from idle but contracted rigs, partially offset by higher Alpha™ revenue. During the year, we did not recognize revenue from idle but contracted rigs, as compared with US$37 million in 2020. In 2021, we recognized turnkey revenue of US$14 million which accounted for 4% of our U.S. drilling revenue as compared with US$11 million and 3% in 2020, respectively.

Depreciation expense for the year was US$100 million, US$6 million lower than 2020 because of a lower capital asset base as assets become fully depreciated, decommissioned, or were disposed.

Drilling Statistics – U.S.

We ended the year with a U.S. rig count of 105. We averaged 40 rigs working in 2021, 21% higher than 2020, as industry activity increased by 10%. The average number of active land rigs for the industry was 461 in 2021 as compared with 420 rigs in the prior year.

	2021		2020		2019	
	Precision	**Industry (1)**	Precision	Industry (1)	Precision	Industry (1)
Average number of active land rigs for quarters ended:						
March 31	**33**	**378**	55	764	79	1,023
June 30	**39**	**437**	30	378	77	967
September 30	**41**	**485**	21	241	72	896
December 31	**45**	**545**	26	297	63	798
Annual average	**40**	**461**	33	420	73	921

(1) Source: Baker Hughes.

Canadian Drilling

Revenue from Canadian drilling was $333 million, 43% higher than 2020. Drilling rig activity, as measured by utilization days, was up by 46% while average day rates were down 2% compared with the prior year.

Adjusted EBITDA was $108 million, 40% higher than 2020, as a result of higher drilling activity and lower restructuring costs.

During the year, we recognized CEWS program assistance of $16 million, as compared with $15 million in 2020. In 2021, CEWS program assistance was presented as offsets to operating and general and administrative expenses of $15 million and $1 million, respectively, as compared with $14 million and $1 million in 2020.

Depreciation expense for the year was $90 million, 5% lower than 2020 because of a lower capital asset base as assets become fully depreciated, decommissioned, or were disposed.

Drilling Statistics – Canada

Our Canadian rig count remained at 109, consistent with 2020. We averaged 43 rigs working in 2021, 48% higher than 2020 which was consistent with industry as the average number of active land rigs for the year rose to 132 from 89.

	2021		2020		2019	
	Precision	**Industry (1)**	Precision	Industry (1)	Precision	Industry (1)
Average number of active land rigs for quarters ended:						
March 31	**42**	**145**	63	196	48	183
June 30	**27**	**72**	9	25	27	82
September 30	**51**	**151**	18	47	42	132
December 31	**52**	**160**	28	88	43	138
Annual average	**43**	**132**	29	89	40	134

(1) Source: Baker Hughes.

COMPLETION AND PRODUCTION SERVICES

Financial Results

Year ended December 31 *(in thousands of dollars, except where noted)*	**2021**	**% of revenue**	2020	% of revenue	2019	% of revenue
Revenue	**113,488**		77,251		147,829	
Expenses						
Operating	**84,401**	**74.4**	59,404	76.9	116,932	79.1
General and administrative	**5,280**	**4.7**	3,995	5.2	6,285	4.3
Restructuring	**—**	**—**	2,595	3.4	457	0.3
Adjusted EBITDA(1)	**23,807**	**21.0**	11,257	14.6	24,155	16.3
Depreciation and amortization	**15,405**	**13.6**	16,375	21.2	17,881	12.1
Gain on asset disposals	**(525)**	**(0.5)**	(1,447)	(1.9)	(3,767)	(2.5)
Operating earnings (loss)(1)	**8,927**	**7.9**	(3,671)	(4.8)	10,041	6.8

(1) See Financial Measures and Ratios on page 44 of this report.

2021 Compared with 2020

Revenue from Completion and Production Services was $113 million, 47% higher than 2020, resulting from increased activity across all divisions and improved hourly service rates.

Operating expenses were 74% of segment revenue, 3% lower than 2020, which was primarily the result of our improved cost structure that was implemented in 2020 incurring restructuring charges of $3 million.

During the year, we recognized CEWS program assistance of $6 million, as compared with $7 million in 2020. In 2021, CEWS program assistance was presented as offsets to operating and general and administrative expenses of $5 million and $1 million, respectively, as compared with $6 million and $1 million in 2020.

Our increased activity in 2021 resulted in operating earnings of $9 million, compared with an operating loss of $4 million in 2020.

Depreciation in 2021 decreased by 6% due to our lower capital asset base as assets become fully depreciated, decommissioned, or were disposed.

Capital expenditures in 2021 were $4 million, comprised mainly of maintenance capital.

Operating Statistics

Year ended December 31	**2021**	**% increase/ (decrease)**	2020	% increase/ (decrease)	2019	% increase/ (decrease)
Number of service rigs (end of year)	**123**	**—**	123	—	123	(41.4)
Service rig operating hours	**126,840**	**54.8**	81,952	(44.3)	147,154	(6.5)

Our current year service rig operating hours rose by 55% versus the comparable period.

CORPORATE AND OTHER

Financial Results

Year ended December 31 *(in thousands of dollars, except where noted)*	**2021**	2020	2019
Expenses			
General and administrative	**62,567**	40,433	58,798
Restructuring	**—**	7,846	2,935
Adjusted EBITDA(1)	**(62,567)**	(48,279)	(61,733)
Depreciation and amortization	**10,849**	11,558	14,853
Gain on asset disposals	**(318)**	(313)	(125)
Operating loss(1)	**(73,098)**	(59,524)	(76,461)

(1) See Financial Measures and Ratios on page 44 of this report.

2021 Compared with 2020

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

Corporate general and administrative expenses were $63 million in 2021, $22 million higher than 2020. The increase was mainly related to increased share-based compensation charges, resulting from our higher share price in the current year, and lower CEWS program assistance. During the year, we recognized CEWS program assistance of $2 million, as compared with $4 million in 2020. In 2021, corporate general and administrative costs were 6.3% of consolidated revenue compared with 4.3% in the prior year.

In 2020, we recognized $8 million in restructuring costs, comprised of severance costs, as we aligned our cost structure in response to our reduced activity levels. We did not incur any restructuring costs in 2021.

Capital expenditures in 2021 for our Corporate and Other segment were $1 million, primarily related to infrastructure.

QUARTERLY FINANCIAL RESULTS

2021 – Quarters Ended *(in thousands of dollars, except per share amounts)*	**March 31**	**June 30**	**September 30**	**December 31**
Revenue	**236,473**	**201,359**	**253,813**	**295,202**
Adjusted EBITDA(1)	**54,539**	**28,944**	**45,408**	**63,881**
Net loss	**(36,106)**	**(75,912)**	**(38,032)**	**(27,336)**
per basic share	**(2.70)**	**(5.71)**	**(2.86)**	**(2.05)**
per diluted share	**(2.70)**	**(5.71)**	**(2.86)**	**(2.05)**
Funds provided by (used in) operations(1)	**43,430**	**12,607**	**33,525**	**62,681**
Cash provided by operations	**15,422**	**42,219**	**21,871**	**59,713**

(1) See Financial Measures and Ratios on page 44 of this report.

2020 – Quarters Ended *(in thousands of dollars, except per share amounts)*	March 31	June 30	September 30	December 31
Revenue	379,484	189,759	164,822	201,688
Adjusted EBITDA(1)	101,904	58,465	47,771	55,263
Net loss	(5,277)	(48,867)	(28,476)	(37,518)
per basic share	(0.38)	(3.56)	(2.08)	(2.74)
per diluted share	(0.38)	(3.56)	(2.08)	(2.74)
Funds provided by operations(1)	81,317	26,639	27,489	35,282
Cash provided by operations	74,953	104,478	41,950	4,737

(1) See Financial Measures and Ratios on page 44 of this report.

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 may limit the movement of heavy oilfield equipment and reduce the level of drilling and well servicing activity primarily 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 usually begins late in the fourth quarter. Our business activity depends, in part, on the severity and duration of the winter drilling season.

Fourth Quarter 2021 Compared with Fourth Quarter 2020

In the fourth quarter of 2021, we recorded a net loss of $27 million or a net loss of $2.05 per diluted share compared to a net loss of $38 million or a net loss of $2.74 per diluted share in 2020.

Revenue for the fourth quarter was $295 million, 46% higher than in 2020 and was the result of increased drilling and service rig activity, partially offset by lower average revenue rates in the U.S. and internationally. Compared with the fourth quarter of 2020, our drilling activity increased 74% in the U.S. and 87% in Canada, while international activity remained consistent. Our 2021 fourth quarter revenue from our Contract Drilling Services and Completion and Production Services segments increased 48% and 36%, respectively, from the comparable 2020 quarter.

Adjusted EBITDA was $64 million, an increase of $9 million from the fourth quarter of 2020. Our higher Adjusted EBITDA in the current quarter was mainly due to higher drilling and service activity, lower share-based compensation charges, partially offset by lower CEWS program assistance, U.S. wage increases and labour settlement, and the impact of a $3 million inventory write-down.

Contract Drilling Services

Revenue from Contract Drilling Services was $265 million this quarter, 48% higher than 2020, while Adjusted EBITDA increased by 8% to $68 million. The increase in revenue and Adjusted EBITDA was primarily due to higher activity, partially offset by lower U.S. and international drilling day rates.

Our fourth quarter drilling rig utilization days in the U.S. were 4,179, 74% higher than in 2020. Drilling rig utilization days in Canada were 4,819 during the fourth quarter of 2021, 87% higher than 2020. The increase in utilization days in both the U.S. and Canada was consistent with higher industry activity. Drilling rig utilization days in our international business were 552, consistent with 2020.

Revenue per utilization day in the U.S. decreased in the fourth quarter of 2021 to US$21,976 from US$25,577 in the prior year quarter. The decrease was primarily the result of lower revenue from idle but contracted rigs and lower fleet average day rates. During the fourth quarter of 2021, we recognized revenue from idle but contracted rigs and turnkey projects of nil and US$6 million, respectively, as compared with US$7 million and US$5 million in 2020. Excluding the impact of idle but contracted rig revenue, our fourth quarter 2021 average revenue per utilization day was down 3% compared with 2020. In Canada, average revenue per utilization day for contract drilling rigs for the quarter was $22,948 compared with $21,670 in 2020. The higher average revenue per utilization day in 2021 was primarily due to our higher average day rates. Average revenue per utilization day in our international contract drilling business was US$52,069 compared with US$55,453 in the prior year quarter. The lower average rate in 2021 was primarily due to the expiration of a drilling contract.

In the U.S., 51% of utilization days were generated from rigs under term contract as compared with 62% in the fourth quarter of 2020. In Canada, 13% of our utilization days in the quarter were generated from rigs under term contract, compared with 11% in 2020.

Operating costs were 71% of revenue for the quarter, as compared to 61% in the prior year period. In the U.S., our fourth quarter operating costs on a per day basis increased to US$16,056, compared with US$14,419 in 2020 due to higher rig operating expenses, partially offset by the impact of fixed costs being spread over higher activity and lower turnkey costs. During the fourth quarter of 2021, we incurred a non-recurring wage dispute settlement charge of US$1.5 million that increased daily operating costs by US$378 per day. Additionally, in December of 2021, we implemented field wage increases and after quarter end, adjusted day rates for these increases. The higher wages increased our daily operating costs by US$242 per day and negatively impacted field margins for the quarter by the same amount. In the prior year quarter, we recognized US$3 million of certain operating cost recoveries, further reducing our comparative daily operating costs by approximately US$1,300 per day.

In Canada, our average operating costs per utilization day for the quarter increased to $14,935 compared with $12,291 in 2020. The increase was mainly due to industry-wide wage increases and lower CEWS program assistance, partially offset by fixed costs being spread over higher activity. During the quarter, we did not recognize any CEWS program assistance as compared with $6 million in 2020.

Depreciation expense in the quarter was 4% lower than in 2020 primarily because of a lower capital asset base as assets become fully depreciated, decommissioned or disposed.

In the fourth quarter of 2021, we sold used assets recognizing a gain on disposal of $2 million, consistent with 2020.

Completion and Production Services

Completion and Production Services revenue for the fourth quarter of 2021 increased to $32 million as compared with $24 million in 2020. The higher revenue was primarily due to increased average hourly service rates and service activity. Our fourth quarter service rig operating hours were 33,063, an increase of 21% from 2020. Approximately 78% of our fourth quarter Canadian service rig activity was oil related.

During the quarter, Completion and Production Services generated 11% of its revenue from U.S. operations compared with 21% in the comparative period.

Operating costs as a percentage of revenue increased to 77% as compared with 73% in the comparative quarter. The higher percentage in 2021 was primarily the result of lower CEWS program assistance. In the fourth quarter of 2021, we received CEWS program assistance of $0.2 million as compared with $2 million in 2020.

As compared with 2020, our fourth quarter Adjusted EBITDA increased by $1 million to $6 million primarily from increased average hourly service rates and activity.

Depreciation expense in the quarter was 10% lower than in 2020 primarily because of a lower capital asset base as assets become fully depreciated, decommissioned or disposed.

Corporate and Other

The Corporate and Other segment had negative Adjusted EBITDA of $11 million as compared with $14 million in 2020. Our Adjusted EBITDA was positively impacted by lower share-based compensation costs, partially offset by lower CEWS program assistance. During the quarter, CEWS program assistance offset general and administrative costs by $0.1 million as compared with $1 million in 2020.

Net finance charges were $21 million as compared with $24 million in the fourth quarter of 2020. Our lower net finance charges were primarily due to reduced interest expense from lower debt levels and average cost of borrowings. Interest charges on our U.S. denominated long-term debt in the fourth quarter of 2021 were US$15 million ($19 million) as compared with US$16 million ($21 million) in 2020.

During the quarter, we reduced debt by $55 million, primarily through repayments of our Senior Credit Facility.

Income tax expense for the quarter was $1 million as compared with $8 million in 2020. During the fourth quarter of 2021 and 2020, we did not recognize deferred tax assets on certain Canadian and international operating losses.

OUTLOOK

In 2021, we had an average of 36 drilling rigs working under term contracts. Utilization days from these contracts was approximately 37% of our total contract drilling utilization days for the year.

Contracts

Term customer contracts provide a base level of activity and revenue. As of March 4, 2022, we had term contracts in place for an average of 32 rigs: 21 in the U.S., six in Canada and five internationally for 2022. In most regions in the U.S. and internationally, term contracts normally generate 365 utilization days per rig year. In Canada, term contracted rigs normally generate 250 utilization days per rig year because of the seasonal nature of wellsite access.

In 2021, approximately 37% of our total contract drilling utilization days were generated from rigs under term contracts.

Pricing, Demand and Utilization

During 2021, commodity prices strengthened as global demand for oil and natural gas gradually returned to pre-pandemic levels. Although customer spending remained conservative, the active rig count steadily increased in North America as customers sought to replenish production levels after depleting their drilled but uncompleted well inventories since the onset of pandemic. As of March 4, 2022, the U.S. rig count was approximately 66% higher than the same time last year and has averaged approximately 63% higher year-to-date compared to 2021. In Canada, the industry rig count at March 4, 2022 was approximately 37% higher in Canada than it was a year ago while the year-to-date rig count has averaged approximately 31% higher than 2021. Our U.S. and Canadian activity for the remainder of the year is expected to be determined by the strength in commodity prices and resulting customer budgets.

International

We currently have six rigs working on term contracts with three in Kuwait and three in the Kingdom of Saudi Arabia. We continue to bid our idle rigs within the region. Securing reactivations has been difficult due to COVID-19 restrictions as the region has been slow to reemerge from the pandemic. We remain optimistic in our ability to secure rig reactivations as our customers return to more normal operations.

High Performance Rig Fleet

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

Capital Spending and Free Cash Flow Allocation

Capital spending in 2022 is expected to be $98 million and includes $56 million for maintenance, infrastructure, and intangibles and $42 million for expansion and upgrades. Capital spending by spend category is expected to be $91 million in the Contract Drilling Services segment, $6 million in the Completion and Production Services segment and $1 million to the Corporate segment. At December 31, 2021, Precision had capital commitments of $137 million with payments expected through 2024.

Our debt reduction plans will continue with the goal of repaying over $400 million in debt over the next four years and reaching a sustained Net Debt to Adjusted EBITDA ratio of below 1.5 times. At the end of 2025, we expect to have reduced debt by well over $1 billion since 2018. In addition to debt reduction targets through 2025, we plan to allocate 10% to 20% of free cash flow before debt principal repayments toward the return of capital to shareholders.

FINANCIAL CONDITION

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

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

LIQUIDITY

During 2021, we maintained our strong liquidity position, exiting the year with a cash balance of $41 million and approximately $490 million of available borrowing capacity under our secured credit facilities, providing us with more than $530 million of total liquidity. To provide additional liquidity, we established a Canadian Real Estate Credit Facility in the amount of $20 million in the first quarter of 2021.

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

At December 31, 2021, excluding letters of credit, we had approximately $1,126 million (2020 – $1,250 million) outstanding under our secured and unsecured credit facilities and $17 million (2020 – $13 million) in unamortized debt issue costs. Our Senior Credit Facility and Real Estate Credit Facility include financial ratio covenants that are tested quarterly.

Key Ratios

We ended 2021 with a long-term debt to long-term debt plus equity ratio of 0.5, and a ratio of long-term debt to cash provided by operations of 7.9.

The current blended cash interest cost of our debt is approximately 6.4%.

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 link our executives' incentive compensation to the returns of our shareholders relative to the shareholder returns of our peers.

Financial Position and Ratios

(in thousands of dollars, except ratios)	**December 31, 2021**	December 31, 2020	December 31, 2019
Working capital(1)	**81,637**	175,423	201,696
Working capital ratio(1)	**1.3**	2.1	1.9
Long-term debt(2)	**1,106,794**	1,236,210	1,427,181
Total long-term financial liabilities	**1,185,858**	1,304,162	1,500,950
Total assets	**2,661,752**	2,898,878	3,269,840
Enterprise value(1)(3)	**1,660,781**	1,409,147	1,854,393
Long-term debt to long-term debt plus equity	**0.5**	0.5	0.5
Long-term debt to cash provided by operations(1)	**7.9**	5.5	5.0
Net debt to Adjusted EBITDA(1)	**5.5**	4.3	3.5

(1) See Financial Measures and Ratios on page 44 of this report.
(2) Net of unamortized debt issue costs.
(3) See page 28 for more information.

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.

At March 4, 2022	Moody's	S&P	Fitch
Corporate credit rating	B2	B	B+
Senior Credit Facility rating	Not rated	Not rated	BB+
Unsecured senior notes credit rating	B3	B	B+

CAPITAL MANAGEMENT

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

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

Foreign Exchange Risk

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

Hedge of Investments in Foreign Operations

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

During 2021, we designated our U.S. dollar Senior Credit Facility and unsecured senior notes as a net investment hedge in our U.S. dollar denominated foreign operations.

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

SOURCES AND USES OF CASH

At December 31 *(in thousands of dollars)*	**2021**	2020	2019
Cash provided by operations	**139,225**	226,118	288,159
Cash used in investing activities	**(56,613)**	(40,517)	(74,500)
Surplus (deficit)	**82,612**	185,601	213,659
Cash used in financing activities	**(149,913)**	(145,624)	(231,814)
Effect of exchange rate changes on cash	**(883)**	(5,906)	(3,770)
Net cash used	**(68,184)**	34,071	(21,925)

Cash Provided by Operations

In 2021, cash provided by operations was $139 million compared with $226 million in 2020. The decrease was primarily attributable to higher share-based compensation charges, lower U.S. idle but contracted rig revenue and the impact of increased working capital draws resulting from our increased activity in 2021.

Cash Used in Investing Activities

Our 2021 capital spending of $76 million by spend category was comprised of:

- $19 million on upgrade and expansion capital, and
- $57 million on maintenance, infrastructure capital and intangibles.

The $76 million in capital expenditures in 2021 was split between our segments as follows:

- $71 million in Contract Drilling Services,
- $4 million in Completion and Production Services, and
- $1 million in Corporate and Other.

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

We sold underutilized capital assets for proceeds of $13 million in 2021 compared with $21 million in 2020. During the year, we disposed of our directional drilling business for a gain of $1 million.

Cash Used in Financing Activities

In 2021, cash used in financing activities was $150 million as compared with $146 million in 2020. Our 2021 financing activities were comprised of:

- $129 million of net repayments of long-term debt,
- $10 million of debt issue and amendment costs resulting from our unsecured senior note issuance and Senior Credit Facility extension,
- $7 million of operating lease payments, and
- $4 million of NCIB share repurchases.

CAPITAL STRUCTURE

Material Debt

Amount	Availability	Used for	Maturity
Senior Credit Facility (secured)			
US$500[1] million (extendible, revolving term credit facility with US$300 million accordion feature)	US$118 million drawn and US$33 million in outstanding letters of credit	General corporate purposes	June 18, 2025[1]
Real estate credit facility (secured)			
US$10 million	Fully drawn	General corporate purposes	November 19, 2025
$19 million	Fully drawn	General corporate purposes	March 16, 2026
Operating facilities (secured)			
$40 million	Undrawn, except $7 million in outstanding letters of credit	Letters of credit and general corporate purposes	
US$15 million	Undrawn	Short term working capital requirements	
Demand letter of credit facility (secured)			
US$30 million	Undrawn, except US$3 million in outstanding letters of credit	Letters of credit	
Unsecured senior notes (unsecured)			
US$348 million – 7.125%	Fully drawn	Debt redemption and repurchases	January 15, 2026
US$400 million – 6.875%	Fully drawn	Debt redemption and repurchases	January 15, 2029

(1) US$53 million expires on November 21, 2023.

Covenants

At December 31, 2021, we were in compliance with the covenants of our Senior Credit Facility, Real Estate Credit Facility and unsecured senior notes.

	Covenant	At December 31, 2021
Senior Credit Facility		
Consolidated senior debt to consolidated covenant EBITDA[(1)]	≤ 2.50	0.97
Consolidated covenant EBITDA to consolidated interest expense	≥ 2.00	2.83
Real Estate Credit Facility		
Consolidated covenant EBITDA to consolidated interest expense	≥ 2.00	2.83
Unsecured Senior Notes		
Consolidated interest coverage ratio	≥ 2.00	2.06

(1) For purposes of calculating the leverage ratio consolidated senior debt only includes secured indebtedness.

Senior Credit Facility

The senior secured Revolving Credit Facility (**Senior Credit Facility**) provides Precision with senior secured financing for general corporate purposes, including for acquisitions, of up to US$500 million with a provision for an increase in the facility of up to an additional US$300 million. The Senior Credit Facility has a term of four years, with an annual option on Precision's part to request that the lenders extend, at their discretion, the facility to a new maturity date not to exceed five years from the date of the extension request.

The Senior Credit Facility requires we comply with certain covenants including a leverage ratio of consolidated senior debt to consolidated Covenant EBITDA of less than 2.5:1. For purposes of calculating the leverage ratio consolidated senior debt only includes secured indebtedness.

On June 18, 2021, we agreed with the lenders of our Senior Credit Facility to extend the facility's maturity date and extend and amend certain financial covenants during the Covenant Relief Period (established on April 9, 2020). The maturity date of the Senior Credit Facility was extended to June 18, 2025; however, US$53 million of the US$500 million will expire on November 21, 2023.

The lenders agreed to extend the Covenant Relief Period to September 30, 2022 and amend the consolidated Covenant EBITDA to consolidated interest coverage ratio for the most recent four consecutive quarters to be greater than or equal to 1.75:1 for the period ended September 30, 2021, 2.0:1, for the periods ending December 31, 2021 and March 31, 2022, 2.25:1 for the periods ending June 30, 2022 and September 30, 2022 and 2.5:1 for periods ending thereafter.

During the Covenant Relief Period, our distributions in the form of dividends, distributions and share repurchases are restricted to a maximum of US$25 million in each of 2021 and 2022, subject to a pro forma senior net leverage ratio (as defined in the credit agreement) of less than or equal to 1.75:1.

During 2021, the North American and acceptable secured foreign assets must directly account for at least 65% of consolidated Covenant EBITDA calculated quarterly on a rolling twelve-month basis, increasing to 70% thereafter. We also have the option to voluntarily terminate the Covenant Relief Period prior September 30, 2022.

The Senior Credit Facility is secured by charges on substantially all of the present and future assets of Precision, its material U.S. and Canadian subsidiaries and, if necessary, to adhere to covenants under the Senior Credit Facility, certain subsidiaries organized in jurisdictions outside of Canada and the U.S.

Distributions under the Senior Credit Facility are subject to a pro-forma senior net leverage covenant of less than or equal to 1.75:1. The Senior Credit Facility also limits the redemption and repurchase of junior debt subject to a pro-forma senior net leverage covenant test of less than or equal to 1.75:1.

Under the Senior Credit Facility, amounts can be drawn in U.S. dollars and/or Canadian dollars. At December 31, 2021, US$118 million amounts were drawn under this facility (2020 – US$75 million). Up to US$200 million of the Senior Credit Facility is available for letters of credit denominated in U.S. and/or Canadian dollars and other currencies acceptable to the fronting lender. As at December 31, 2021 outstanding letters of credit amounted to US$33 million (2020 – US$32 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 Canadian Dollar Offered Rate (**CDOR**); such margins will be based on the then applicable ratio of consolidated total debt to EBITDA.

Real Estate Credit Facilities

Our Canadian Real Estate Credit Facility is secured by real properties in Alberta, Canada. Principal plus interest payments are due quarterly, based on 15-year straight-line amortization with any unpaid principal and accrued interest due at maturity. Interest is calculated using a CDOR rate plus margin.

Our U.S. Real Estate Credit Facility is secured by real property located in Houston, Texas. Principal plus interest payments are due monthly, based on 15-year straight-line amortization with any unpaid principal and accrued interest due at maturity. Interest is calculated using a LIBOR rate plus margin.

Our Real Estate Credit Facilities contain certain affirmative and negative covenants and events of default, customary for these types of transactions. Under the terms of these facilities, we must maintain financial covenants in accordance with the Senior Credit Facility, described above, as of the last day of each period of four consecutive fiscal quarters. For the Canadian Real Estate Credit Facility, in the event the Senior Credit Facility expires, is cancelled, or is terminated, financial covenants in effect at that time shall remain in place for the remaining duration of the facility. For the U.S. Real Estate Credit Facility, in the event the consolidated Covenant EBITDA to consolidated interest expense coverage ratio is waived or removed from the Senior Credit Facility, a minimum threshold of 1.15:1 is required.

Unsecured Senior Notes

The unsecured senior notes require we comply with an incurrence based consolidated interest coverage ratio test of consolidated cash flow, as defined in the senior note agreements, to consolidated interest expense of greater than 2.0:1 for the most recent four consecutive fiscal quarters. In the event our consolidated interest coverage ratio is less than 2.0:1 for the most recent four consecutive fiscal quarters, the senior notes restrict our ability to incur additional indebtedness.

The unsecured senior notes contain a restricted payment covenant that limits our ability to make payments in the nature of dividends, distributions and for share repurchases from shareholders. This restricted payment basket grows from a starting point of October 1, 2017 for the 2026 senior notes and July 1, 2021 for the 2029 senior notes by, among other things, 50% of consolidated cumulative net earnings and decreases by 100% of consolidated cumulative net losses, as defined in the senior note agreements, and payments made to shareholders. The governing net restricted payments basket is currently negative, limiting our ability to declare and make dividend payments until such time as the restricted payments baskets become positive . During 2021, pursuant to the indentures governing the unsecured senior notes, Precision used the available general restricted payments basket to facilitate the repurchase and cancellation of its common shares.

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

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

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, 2021	Payments due (by period)				
(in thousands of dollars)	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total
Long-term debt[1]	2,223	4,446	613,660	505,784	1,126,113
Interest on long-term debt[1]	72,147	144,067	105,629	70,995	392,838
Purchase of property, plant and equipment[1][2]	42,248	94,883	—	—	137,131
Operating leases[1]	10,782	18,816	10,511	2,391	42,500
Contractual incentive plans[1][3]	18,414	49,073	—	—	67,487
Total	145,814	311,285	729,800	579,170	1,766,069

(1) U.S. dollar denominated balances are translated at the period end exchange rate of Cdn$1.00 equals US$0. 7909.
(2) Balance primarily relates to cost of rig equipment with flexible delivery schedule wherein we can take delivery between 20 22 and 2024.
(3) Includes amounts not yet accrued but are likely to be paid at the end of the contract term. Our long-term incentive plans compensate officers and key employees through cash payments when their awards vest. Equity-based compensation amounts are shown based on the closing share price on the TSX of $ 44.69 at December 31, 2021.

Shareholders Capital

	March 4, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Shares outstanding	13,568,325	13,304,425	13,459,593	13,864,990
Deferred shares outstanding	1,470	1,470	1,470	4,659
Share options outstanding	298,263	383,448	432,458	519,232

During the third quarter of 2021, the Toronto Stock Exchange approved our application to renew our Normal Course Issuer Bid. Under the terms of the NCIB, we may purchase and cancel up to a maximum of 1,317,158 common shares, representing 10% of the public float of common shares as of August 13, 2021. The NCIB will terminate no later than August 26, 2022. For the year ended December 31, 2021, we repurchased and cancelled a total of 155,168 common shares for $4 million.

Subsequent to December 31, 2021, Precision settled 131,950 vesting Executive PSUs in 263,900 common shares.

More information about our capital structure can be found in our Annual Information Form, available on our website and on SEDAR.

Common Shares

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

Preferred Shares

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.

Enterprise Value

(in thousands of dollars, except shares outstanding and per share amounts)	**December 31, 2021**	December 31, 2020	December 31, 2019
Shares outstanding	**13,304,425**	13,459,593	13,864,990
Year-end share price on the TSX	**44.69**	20.93	36.20
Shares at market	**594,575**	281,709	501,913
Long-term debt	**1,106,794**	1,236,210	1,427,181
Less cash	**(40,588)**	(108,772)	(74,701)
Enterprise value[1]	**1,660,781**	1,409,147	1,854,393

(1) See Financial Measures and Ratios on page 44 of this report.

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 judgement and assumptions we think are reasonable.

Our significant accounting policies are described in Note 3 to the Consolidated Financial Statements. We believe the following are the most difficult, subjective or complex judgements, 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.

Climate-related risks and opportunities may have a future impact on the Corporation and its estimates and judgements, including but not limited to the useful life and residual value of its property, plant and equipment and the measurement of projected cash flows when identifying impairment triggers, performing tests for impairment or impairment recoveries of non-financial assets.

The Corporation evaluated the remaining useful lives and residual values of its property, plant and equipment, concluding they remain reasonable given the current estimate of the demand period for oil and natural gas extractive services well exceeds their remaining useful lives. In addition, the Corporation's property, plant and equipment, including drill rig equipment, adapts to numerous low-carbon projects, including but not limited to, geothermal drilling, carbon capture and storage and the extraction of helium and hydrogen gas.

In future periods, if indications of impairment of non-financial assets exist, the Corporation's measurement of projected cash flows may be exposed to higher estimation uncertainty, including but not limited to the Corporation's continued capital investment required to lower the carbon intensity of its property, plant and equipment, period and growth expectations used to calculate terminal values and the Corporation's weighted average cost of capital.

Impairment of Long-Lived Assets

Long-lived assets, which include property, plant and equipment and intangibles, comprise the majority of our assets. The carrying value of these assets is reviewed for impairment periodically or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The Corporation's analysis is based on relevant internal and external factors that indicate a CGU may be impaired such as the obsolescence or planned disposal of significant assets, financial performance of the CGU compared to forecasts and consideration of the Corporation's market capitalization.

The recoverability of long-lived assets requires a calculation of the recoverable amount of the cash generating unit or groups of CGUs to which assets have 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. Judgement 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 judgement is required in projecting cash flows and selecting the appropriate discount rate. We use observable market data inputs to develop a discount rate that we believe approximates the discount rate from market participants. For property, plant and equipment, this requires us to forecast future cash flows to be derived from the utilization of our 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.

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

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 judgement. This determination can be complex and subject to differing interpretations and views, particularly when rig equipment comprises individual components for which different depreciation methods or rates are appropriate.

Income Taxes

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

RISKS IN OUR BUSINESS

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

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

Our operations depend on the price of oil and natural gas, which have been subject to increased volatility in recent years, and on the exploration and development activities of oil and natural gas exploration and production companies

We primarily 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 relatively low. The volatility of crude oil and natural gas prices accounts for much of the cyclical nature of the oilfield services business and in recent years, increased volatility has led to greater uncertainty in the demand for our services.

The markets for oil and natural gas are separate and distinct. Oil is a global commodity with a vast distribution network, although the differential between benchmarks such as West Texas Intermediate, Western Canadian Select, and European Brent crude oil can fluctuate. As in all markets, when supply, demand, inability to access domestic or export markets and other factors change, so can the spreads between benchmarks. The use of natural gas is growing quickly worldwide, with the three most developed demand centers residing in North America, Western Europe and North Asia. These regions have dense pipeline networks and a high demand for natural gas. The world's largest producers of natural gas are currently the U.S., Russia, Iran, Qatar, Canada, China and Norway. 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 LNG in ocean-going tanker ships introduced an element of globalization to the natural gas market. The development of LNG means all the major production centers for natural gas are linked to the world's major demand centers.

Worldwide military, political, economic and other events, such as the COVID-19 pandemic, the conflict in Ukraine and actions of Russia or a conflict in the Middle East, expectations for global economic growth, political sanctions, trade disputes, international government sanctions, or initiatives by OPEC+, can affect supply and demand for oil and natural gas and cause extreme commodity price volatility, complicating the business planning for us and our customers and exposing us to rapid changes in demand for our services. Weather conditions, governmental regulation (in Canada and U.S.), levels of consumer demand, the availability and pricing of alternate sources of energy (including renewable energy initiatives), the availability of pipeline capacity and other transportation for oil and natural gas, global oil and 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.

In 2021, approximately 10,500 wells were started onshore in the U.S., compared to approximately 43,700 in 2014. In 2021, the industry drilled 4,557 wells in western Canada, compared to 10,942 in 2014. According to industry sources, the U.S. average active land drilling rig count was up approximately 10% in 2021, compared to 2020, and the Canadian average active land drilling rig count was up approximately 48% during the same period as oil and natural gas prices stabilized throughout 2021.

Recently, commodity prices have been negatively affected by a combination of factors, including increased production, the decisions of OPEC+, the COVID-19 pandemic and a strengthening in the U.S. dollar relative to most other currencies. Although OPEC+ agreed in April 2020 to oil production cuts, OPEC+ has been gradually reducing such cuts and in July 2021, agreed to further reduce such cuts on a monthly basis with a goal of phasing out all production cuts towards the end of 2022. There is no assurance that the most recent OPEC+ agreement will be observed by its parties and OPEC+ may change its agreement depending upon market conditions. Although crude oil prices have recovered since March 2020, reductions related to the onset of the COVID-19 pandemic, oil and natural gas prices are expected to continue to be volatile as a result of near-term production instability, the ongoing COVID-19 pandemic, conflict in Ukraine and actions of Russia, changes in oil and natural gas inventories, industry demand, global and national economic performance, the actions of OPEC+, and any coordinated releases of oil from

strategic reserves by the U.S. (or any other country). Certain of these events and conditions may contribute to decreased exploration and drilling activities and a decrease in confidence in the oil and natural gas industrygenerally. These difficulties have been exacerbated in Canada and the US . by political and other actions resulting in uncertainty surrounding regulatory, tax, royalty and environmental regulation. Each of these factors have adversely affected, and could continue to adversely affect, the price of oil and natural gas and drilling activities by our customers, which would adversely affect the level of capital spending by our customers and in turn could have a material adverse effect on our business, financial condition, results of operations and cash flow.

As a result of the continued volatility in oil and natural gas prices, regulatory uncertainty, and strategies of certain of our customers to focus on debt reductions or returning cash to shareholders rather than incurring expenditures on exploration and drilling activities, many of our customers have reduced spending budgets compared to periods prior to the downturn in commodity prices experienced in 2014. Reductions in commodity prices or factors that impact the supply and demand for oil and natural gas and lead to price volatility may result in further reductions in capital budgets in the future, which could result in cancelled, delayed or reduced drilling programs by our customers and a corresponding decline in demand for our services. Additionally, the availability and pricing of alternative sources of energy, a potential shift to lower carbon intensive energy sources or a shift to a lower carbon economy, and technological advances may also depress the overall level of oil and natural gas exploration and production activity, similarly impacting the demand for our services.

If a reduction in exploration and development activities, whether resulting from changes in oil and natural gas prices or reductions in capital budgets as described above or otherwise, continues or worsens, it could materially and adversely affect us further by:

- negatively impacting our revenue, cash flow, profitability and financial condition
- restricting our ability to make capital expenditures compared to periods prior to the downturn and our ability to meet future contracted deliveries of new-build rigs
- affecting the existing fair market value of our rig fleet, which in turn could trigger a write-down for accounting purposes
- our customers negotiating, terminating, or failing to honour their drilling contracts with us
- making our Senior Credit Facility financial covenants more difficult to attain, and
- negatively impacting our ability to maintain or increase our borrowing capacity, our ability to obtain additional capital to finance our business and our ability to achieve our debt reduction targets.

There is no assurance that demands for our services or conditions in the oil and natural gas and oilfield services sector will not decline in the future, and a significant decline in demand could have a material adverse effect on our business, financial condition, results of operations and cash flow.

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

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

The contract drilling business is highly competitive with many industry participants. We compete for drilling contracts that are usually awarded based on competitive bids. We believe pricing, rig availability and technology 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, the offering of ancillary services, the ability to provide drilling equipment that is adaptable, 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 day rates, followed by periods of high demand, short rig supply and increasing day rates. Periods of excess drilling rig supply intensify the competition and often result in rigs being idle. There are numerous contract drilling companies in the markets where we operate, and an oversupply of drilling rigs can cause greater price competition. Contract drilling companies compete primarily on a regional basis, and the intensity of competition can vary significantly from region to region at any particular time. In addition, development of new drilling technology by competitors has increased in recent years, which could negatively affect our ability to differentiate our services. If demand for drilling services is better in a region where we operate, our competitors might respond by moving suitable drilling rigs in from other regions, reactivating previously stacked rigs or purchasing new drilling rigs. An influx of drilling rigs into a market from any source could rapidly intensify competition and make any improvement in the demand for our drilling rigs short-lived, which could in turn have a material adverse effect on our business, financial condition, results of operations and cash flow.

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 business, financial condition, results of operations and cash flow.

Lower activity in the contract drilling industry exposes us to the risk of oversupply of equipment

Periods of low demand often lead to low utilization. The number of drilling rigs competing for work in markets where we operate has remained the same as the industry has seen a decrease in drilling activity. 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 decline could lead to lower demand for term drilling contracts and for our equipment and services. The additional supply of drilling rigs has intensified price competition in the past and could continue to do so. This could lead to lower day rates in the oilfield services industry generally and lower utilization of existing rigs. If any of these factors materialize, it could have a material adverse effect on our business, financial condition, results of operations and cash flow.

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, geopolitical, 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 Senior Credit Facility and in our Senior 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 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 generate enough cash flow from operations or borrow a sufficient amount to service and repay our debt, we will need to refinance our debt or we will be in default, and we could be forced to reduce or delay investments and capital expenditures or dispose of material assets or issue equity. We may not be able to refinance or arrange alternative measures on favourable terms or at all. If we are unable to service, repay or refinance our debt, it could have a negative impact on our business, financial condition, results of operations and cash flow.

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

A substantial portion of our operations are carried out through subsidiaries, and some of them are not guarantors of our debt. The assets of the non-guarantor subsidiaries represent approximately 17% of Precision's consolidated assets. 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 funds 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 business, financial condition, results of operations and cash flow.

Pipeline constraints in western Canada could have an adverse effect on the demand for our services in Canada

In western Canada, delays and/or the inability to obtain necessary regulatory approvals for pipeline projects that would provide additional transportation capacity and access to refinery capacity for our customers has led to downward price pressure on oil and natural gas produced in western Canada, which has depressed, and may continue to depress, the overall exploration and production activity of our customers. Construction has commenced on the Trans Mountain and Coastal Gaslink pipelines in Western Canada; however, both projects may face further regulatory delays or disruptions. On January 20, 2021, the Biden Administration issued an executive order revoking the Presidential permit allowing the construction and operation of the Keystone XL pipeline. On March 17, 2021, 21 states filed a lawsuit in the Southern District of Texas, alleging President Biden's order violates the U.S. Constitution. As at the date hereof, the constitutional challenge was dismissed.

The regulatory uncertainty in Canada has impacted some of our customers' ability to obtain financing, which has also depressed overall exploration and production activity. These factors could result in a corresponding decline in the demand for our services that could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Any difficulty in retaining, replacing, or adding personnel could adversely affect our business

Our ability to provide reliable services depends on the availability of well-trained, experienced crews to operate our field equipment. We must also balance our need to maintain a skilled workforce with cost structures that fluctuate with activity levels. We retain the most experienced employees during periods of low utilization by having them fill lower- level positions on field crews. Many of our businesses experience manpower shortages in peak operating periods, and we may experience more severe shortages if the industry adds more rigs, oilfield services companies expand, and new companies enter the business.

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

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

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

We conduct some of our business in the Middle East. We may decide to establish operations in other international regions, including countries where the political and economic systems may be less stable than in Canada or the United States.

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

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

If there is a dispute relating to our international operations, we may be subject to the exclusive jurisdiction of foreign courts. In addition, we may not be able to file suits against foreign persons or subject them to the jurisdiction of a court in Canada or the U.S. or be able to enforce judgement or arbitrated awards against state-owned customers.

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.

We are subject to compliance with the United States Foreign Corrupt Practices Act (**FCPA**) and the Corruption of Foreign Public Official Act (Canada) (**CFPOA**), which generally prohibit companies from making improper payments to foreign government officials for the purpose of obtaining business. While we have developed policies and procedures designed to achieve compliance with the FCPA, CFPOA and other applicable international laws, we could be exposed to potential civil and criminal 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 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. We could also face fines, sanctions and other penalties from authorities in other the relevant foreign jurisdictions, including prohibition of our participating in or curtailment of business operations in those jurisdictions and the seizure of drilling rigs or other assets. 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.

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 natural 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. Additionally, certain investors and lenders may discourage investments or lending into the hydrocarbon industry. To the extent that certain institutions implement policies that discourage investments or lending into the hydrocarbon industry, it could have an adverse effect on the cost of capital or availability of capital for our customers, which may result in reduced spending by our customers. A reduction in spending by our customers could have a material adverse effect on our business, financial condition, results of operations and cash flow as described further under – "*Our operations depend on the price of oil and natural gas, which have been subject to increased volatility in recent years, and on the exploration and development activities of oil and natural gas exploration and production companies*" on page 30.

Our debt facilities contain restrictive covenants

Our Senior Credit Facility, Real Estate Credit Facilities and the unsecured senior notes indentures contain a number of covenants which, among other things, restrict us and some of our subsidiaries from conducting certain activities (see *Capital Structure – Material Debt – Unsecured Senior Notes* on page 27). In the event our Consolidated Interest Coverage Ratio (as defined in our two Senior Note Indentures) is less than 2.0:1 for the most recent four consecutive fiscal quarters, the Senior Note Indentures restrict our ability to incur additional indebtedness. As of December 31, 2021, our Consolidated Interest Coverage Ratio, as calculated per our unsecured Senior Note Indentures, was 2.06.

In addition, we must satisfy and maintain certain financial ratio tests under the Senior Credit Facility and Real Estate Credit Facilities (see *Capital Structure – Material Debt* on page 26). Events beyond our control could affect our ability to meet these tests in the future. If we breach any of the covenants, it could result in a default under the Senior Credit Facility and Real Estate Credit Facilities or any of the unsecured Senior Note Indentures. If there is a default under our Senior Credit Facility, the applicable lenders could decide to declare all amounts outstanding under the Senior Credit Facility, Real Estate Credit Facilities or any of the unsecured Senior Note Indentures to be due and payable immediately and terminate any commitments to extend further credit under the Senior Credit Facility. If there is an acceleration by the lenders and the accelerated amounts exceed a specific threshold, the applicable noteholders could decide to declare all amounts outstanding under any of the Senior Note Indentures to be due and payable immediately.

At December 31, 2021, we were in compliance with the covenants of our Senior Credit Facility and Real Estate Credit Facilities.

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. Additionally, new technologies, services or standards could render some of our services, drilling rigs or equipment obsolete, which could reduce our competitiveness and have a material adverse impact on our business, financial condition and results of operations.

Continued Impacts of the COVID-19 Pandemic

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Governments worldwide, including those countries in which Precision operates, have enacted emergency measures from time to time to combat the spread of the virus. These measures, which include the implementation of travel bans, quarantine periods, stay-at-home orders and social distancing, have caused a material disruption to businesses globally resulting in an economic slowdown and decreased demand for oil. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the long-term success of these interventions is not yet determinable. While vaccination programs have resulted in a more positive worldwide economic outlook, the overall timing, including the spread of any variants, and effectiveness of the vaccination programs remains uncertain and emergency measures to combat the spread of the virus may remain in effect for an indefinite period, or be required from time to time, in certain countries or jurisdictions which could continue to result in decreased demand for oil and gas or increased volatility in prices for oil and gas. The situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on Precision remains unknown at this time, as there are no comparable recent events to provide guidance on the spread or continuance of the COVID-19 pandemic, including future variants.

The current challenging economic climate resulting from the impact of the COVID-19 pandemic and corresponding emergency measures that have been implemented or may be implemented from time to time by various governments has or may have significant adverse impacts on Precision including, but not exclusively:

- potential interruptions of our business or operations
- material declines in revenue and cash flows, as our customers are concentrated in the oil and natural gas industry
- future impairment charges to our property, plant and equipment and intangible assets
- risk of non-payment of accounts receivable and customer defaults, and
- additional restructuring charges as we align our structure and personnel to the dynamic environment.

Additionally, any potential spread of COVID-19 amongst our or our customers' employees or contractors may result in temporary interruptions to our business or operations, which may have an adverse effect on our financial condition, results of operations and cash flow.

Other Disease Outbreak may impact our business

Future local, regional, national or international outbreaks of contagious diseases could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price of and demand for oil and natural gas (and correspondingly, decrease the demand for our services, which could have a material adverse effect on our business, financial condition, results of operations and cash flows). Additionally, such an outbreak, if uncontrolled, may result in temporary shortages of staff to the extent our work force is impacted, which may have a material adverse effect on our business.

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

In addition to expanded regulations and guidelines related specifically to climate change, we and our customers are subject to numerous environmental laws and regulations, including regulations relating to spills, releases and discharges of hazardous substances or other waste materials into the environment, requiring removal or remediation of pollutants or contaminants, and imposing civil and criminal penalties for violations. Some of these regulations apply directly to our operations and authorize the recovery of damages by the government, injunctive relief, and the imposition of stop, control, remediation and abandonment orders. For instance, 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. The total costs of complying with environmental protection requirements is unknown, but we may experience increased insurance and compliance costs as further environmental laws and regulations are introduced.

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

Governments in Canada and the U.S. may also consider more stringent regulation or restriction of hydraulic fracturing, a technology used by most of our customers that involves the injection of water, sand and chemicals under pressure into rock formations to stimulate oil and natural gas production. Increasing regulatory restrictions could have a negative impact on the exploration of unconventional energy resources, which are only commercially viable with the use of hydraulic fracturing. Laws relating to hydraulic fracturing are in various stages of development at levels of governments in markets where we operate and the outcome of these developments and their effect on the regulatory landscape and the contract drilling industry is uncertain. Hydraulic fracturing laws or regulations that cause a decrease in the completion of new oil and natural gas wells and an associated decrease in demand for our services could have a material adverse effect on our business, financial condition, results of operations and cash flow.

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. There can also be no guarantee that other laws and other government programs relating to the oil and gas industry and the transportation industry will not be changed in a manner which directly and adversely impact the demand for oil and natural gas which could affect our business, nor can there be any assurances that the laws, regulations or rules governing our customers will not be changed in a manner which adversely affects our customers and, therefore, our business. In the U.S., the Biden Administration will likely implement additional regulations and oversight concerning environmental policies and federal land management compared to the Trump Administration. On January 20, 2021, President Biden took executive actions to temporarily block new leases for oil and natural gas drilling on federal lands and ordered a review of fossil-fuel subsidies. The potential for increased regulation and oversight may make it more difficult or costly for us to operate.

Major projects that would benefit our customers, such as new pipelines and other facilities, may be inhibited, delayed or stopped by a variety of factors, including inability to obtain regulatory or governmental approvals or public opposition.

Effects of climate change, including physical and regulatory impacts, could have a negative impact on our business

The views on climate change are evolving at a regional, national and international level. As a result, political and economic events may significantly affect the scope and timing of climate change measures and regulations that are ultimately put in place, which may challenge the oil and gas industry in a number of ways. Additionally, the risks of natural disasters that could impact our business may increase in the future as a result of climate change. Furthermore, as societal awareness and public debate continues to grow in relation to the potential impact of climate change, consumer-demand for alternative fuel sources may continue to rise and incentives to conserve energy may be developed. Our business, financial condition, results of operations, cash flows, reputation, access to capital, access to insurance, cost of borrowing, access to liquidity, and/or business plans may, in particular, without limitation, be adversely impacted as a result of climate change and its associated impacts.

Physical Impact

As discussed under "*Business in our industry is seasonal and highly variable*" on page 40, weather patterns in Canada and the northern U.S. affect activity in the oilfield services industry. Global climate change could impact the timing and length of the spring thaw and the period in which the muskeg freezes and thaws and could impact the severity of winter, which could have a material adverse affect on our business and operating results. Furthermore, extreme and evolving climate conditions could result in increased risks of, or more frequent, natural disasters such as flooding or forest fires and may result in delays or cancellation of some of our customer's operations or could increase our operating costs (such as insurance costs), which could have a material adverse affect on our business and operating results. Extreme weather conditions could also impact the production and drilling of new wells. We cannot estimate the degree to which climate change and extreme climate conditions could impact our business and operating results.

Regulatory Impact

In response to climate change and increased focus on environmental protection, environmental laws, regulations and guidelines relating to the protection of the environment, including regulations and treaties concerning climate change or greenhouse gas emissions, continue to expand in scope. There has been an increasing focus on reduction of greenhouse gas emissions and a potential shift to lower carbon intensive energy sources or a shift to a lower carbon economy. Laws, regulations or treaties concerning climate change or greenhouse gas emissions, including incentives to conserve energy or use alternate sources of energy, can have an adverse impact on the demand for oil and natural gas, which could have a material adverse effect on us. Such laws, regulations or treaties are evolving and it is difficult to estimate with certainty the impact they will have on our business.

Canada and the U.S. are signatories to the Paris Agreement drafted at the United Nations Framework Convention on Climate Change (**UNFCCC**) in December 2015. The goals of the Paris Agreement are to prevent global temperature rise from exceeding 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels. On November 4, 2020, the U.S. formally withdrew from the Paris Agreement; however, on January 20, 2021, the Biden Administration re-entered the U.S. into the Paris Agreement, which may provide for climate targets that could result in reduced demand for oil and natural gas in the United States. In Canada, in connection with its commitments under the Paris Agreement, the federal government developed the Pan-Canadian Framework on Clean Growth and Climate Change in 2016 (the **PCF**). The PCF requires all provinces and territories to have a carbon price of $30 per tonne in 2020 and rising by $10 per year to $50 per tonne in 2022. In December 2020, the Canadian Government announced proposed $15 per year increases to the carbon price commencing in 2023, to reach a total of $170 per tonne by 2050. Provinces and territories can implement either an explicit price-based system (such as the systems implemented in British Columbia and Alberta) or a cap-and-trade system. Saskatchewan remains the only Canadian jurisdiction that has not joined the national plan set out in the PCF. Saskatchewan released its own output-based performance standards approach, which is applied only to certain large industrial facilities. The proposed system in Saskatchewan only partially meets the PCF standards, therefore the federal carbon pollution pricing system will apply in Saskatchewan to sources not covered by Saskatchewan's system. Certain Canadian provinces, including Alberta and Saskatchewan, had previously launched constitutional challenges related to the PCF; however, on March 25, 2021, the Supreme Court of Canada released its judgement confirming the constitutionality of Canada's national carbon pricing regime. In November 2021, to conclude the 26th Conference of the Parties to the UNFCCC, nearly 200 countries including Canada signed the Glasgow Climate Pact, which reaffirms the commitments to limiting global temperature rise set out in the Paris Agreement. The Glasgow Climate Pact calls for nations to submit new targets to the UNFCCC by the end of 2022 to align with the Paris Agreement's goals, requests that nations take accelerated actions to reduce emissions by 2030 and asks nations to accelerate the development and adoption of policies to transition towards low-emission energy systems. It also includes the party nations' agreement on rules under the Paris Agreement to create a global carbon credit market.

As at the date hereof, it is not possible to predict the effect of the Paris Agreement, the Glasgow Climate Pact and climate change-related legislation in Canada, the U.S. and globally on our business or whether additional climate-change legislation, regulations or other measures will be adopted at the federal, state, provincial or local levels in Canada, the U.S. or globally. While some of these regulations are in effect, others remain in various phases of review, discussion or implementation, leading

to uncertainties regarding timing and effects of these emerging regulations, making it difficult to accurately determine the cost impacts and effects on our operations. Further efforts by governments and non-governmental organizations to reduce greenhouse gas emissions appear likely, which, together with existing efforts, may reduce demand for oil and natural gas and potentially lead to lower demand for our services.

In addition to physical and regulatory effects of climate change on our business, an increasing focus on reduction of greenhouse gas emissions and a potential shift to lower carbon intensive energy sources or a shift to a lower carbon economy may depress the overall level of oil and gas exploration and production activity, impacting the demand for our services from the oil and gas industry. Additionally, if our reputation is diminished as a result of the industry we operate in or services we provide, it could result in increased operating or regulatory costs, lower shareholder confidence or loss of public support for our business. It may also encourage exploration and production companies to diversify and limit drilling to find other more energy efficient/green generating energy alternatives.

Poor safety performance could lead to lower demand for our services

Standards for accident prevention in the oil and natural gas industry are governed by service company safety policies and procedures, accepted industry safety practices, customer-specific safety requirements, and health and safety legislation. Safety is a key factor that customers consider when selecting an oilfield services company. A decline in our safety performance could result in lower demand for services, and this could have a material adverse effect on our business, financial condition, results of operations and cash flow. A public safety performance issue could also result in reputational damage to us or increased costs of operating and insuring Precision's assets.

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.

Our business is subject to cybersecurity risks

We rely heavily on information technology systems and other digital systems for operating our business. Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow and are increased by the growing complexity of our information technology systems. Cybersecurity attacks could include, but are not limited to, malicious software, attempts to gain unauthorized access to data and the unauthorized release, corruption or loss of data and personal information, account takeovers, and other electronic security breaches that could lead to disruptions in our critical systems. Other cyber incidents may occur as a result of natural disasters, telecommunication failure, utility outages, human error, design defects, and unexpected complications with technology upgrades. Risks associated with these attacks and other incidents include, among other things, loss of intellectual property, reputational harm, leaked information, improper use of our assets, disruption of our and our customers' business operations and safety procedures, loss or damage to our data delivery systems, unauthorized disclosure of personal information which could result in administrative penalties and increased costs to prevent, respond to or mitigate cybersecurity events. Although we use various procedures and controls to mitigate our exposure to such risk, including cybersecurity risk assessments that are reviewed by our CGNRC, cyber security awareness programs for our employees, continuous monitoring of our information technology systems for threats, and insurance that may cover losses incurred as a result of certain cyber security attacks or incidents, cybersecurity attacks and other incidents are evolving and unpredictable. The occurrence of such an attack or incident could go unnoticed for a period of time. Any such attack or incident could have a material adverse effect on our business, financial condition results of operations and cash flow.

Relying on third-party suppliers has risks and shortages in supply of equipment could adversely impact our business

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. We maintain relationships with several key suppliers and contractors and an inventory of key components, materials, equipment and parts. We also place advance orders for components that have long lead times. We may, however, experience cost increases, delays in delivery due to strong activity or financial hardship of suppliers or contractors, or other unforeseen circumstances relating to third parties. Increased inflation may also result in cost increases for the key components, materials, equipment and parts we use in our business. In times of increased demand for drilling services, there may be shortages of components, materials, equipment, parts and services required for our business. 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 business, financial condition, results of operations and cash flow.

The COVID-19 pandemic has resulted in acute supply chain issues for many industries that may impact our ability to obtain key components, materials, equipment and parts for our operations.

Our business could be negatively affected as a result of actions of activist shareholders and some institutional investors may be discouraged from investing in the industry in which we operate

Activist shareholders could advocate for changes to our corporate governance, operational practices and strategic direction, which could have an adverse effect on our reputation, business and future operations. In recent years, publicly traded companies

have been increasingly subject to demands from activist shareholders advocating for changes to corporate governance practices, such as executive compensation practices, social issues, or for certain corporate actions or reorganizations. There can be no assurances that activist shareholders will not publicly advocate for us to make certain corporate governance changes or engage in certain corporate actions. Responding to challenges from activist shareholders, such as proxy contests, media campaigns or other activities, could be costly and time consuming and could have an adverse effect on our reputation and divert the attention and resources of management and our Board, which could have an adverse effect on our business and operational results. Additionally, shareholder activism could create uncertainty about future strategic direction, resulting in loss of future business opportunities, which could adversely affect our business, future operations, profitability and our ability to attract and retain qualified personnel.

In addition to risks associated with activist shareholders, some institutional investors are placing an increased emphasis on ESG factors when allocating their capital. These investors may be seeking enhanced ESG disclosures or may implement policies that discourage investment in the hydrocarbon industry. To the extent that certain institutions implement policies that discourage investments in our industry, it could have an adverse effect on our financing costs and access to liquidity and capital. Additionally, if our reputation is diminished as a result of the industry we operate in or service, it could result in increased operation or regulatory costs, lower shareholder confidence or loss of public support for our business.

The loss of one or more of our larger customers could have a material adverse effect on our business and our current backlog of contract drilling revenue may decline

In 2021, approximately 48% of our revenue was received from our tenlargest drilling customers and approximately 25% of our revenue was received from our three largest drilling customers. The loss of one or more of our larger customers could have a material adverse effect on our business, financial condition, results of operations and cash flow. In addition, financial difficulties experienced by customers could adversely impact their demand for our services and cause them to request amendments to our contracts with them. Further, consolidation among oil and natural gas exploration and production companies may reduce the number of available customers.

Our fixed-term drilling contracts generally provide our customers with an ability to terminate the contracts at their election, with an early termination payment to us if the contract is terminated prior to the expiration of the fixed term. During depressed market conditions or otherwise, customers may be unable to satisfy their contractual obligations or may seek to terminate or renegotiate or otherwise fail to honor their contractual obligations. In addition, we may not be able to perform under these contracts due to events beyond our control, and our customers may seek to terminate or renegotiate our contracts for various reasons, without paying an early termination payment. As a result, we may not realize all of our contract drilling backlog. In addition, the termination or renegotiation of fixed-term contracts without the receipt of early termination payments could have a material adverse effect on our business, financial condition, results of operations and cash flows. Our contract drilling backlog may decline, as fixed-term drilling contract coverage over time may not be offset by new or renegotiated contracts or may be reduced by price adjustments to existing contracts, including as a result of the decline in the price of oil and natural gas, capital spending reductions by our customers or other factors.

Our operations are subject to foreign exchange risk

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

Translation into Canadian Dollars

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

Transaction exposure

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

We may be unable to access additional financing

We may need to obtain additional debt or equity financing in the future to support ongoing operations, undertake capital expenditures, repay existing or future debt including the Senior Credit Facility and the Senior Note Indentures, or pursue acquisitions or other business combination transactions. Volatility or uncertainty in the credit markets may increase costs associated with issuing debt or equity, and there is no assurance that we will be able to access additional financing when we need it, or on terms we find acceptable or favourable. Such volatility and uncertainty may be adversely impacted by potential negative perception of investing in the hydrocarbon industry. 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 business, financial condition, results of operations, and cash flow. See also "*Our business could be negatively affected as a result of actions of activist shareholders and some institutional investors may be discouraged from investing in the industry we operate in*."

Increasing interest rates may increase our cost of borrowing

Increases to the Canadian or United States benchmark interest rates may have an impact on our cost of borrowing under our Senior Credit Facility, Real Estate Credit Facilities and any debt financing we may negotiate. On July 27, 2017, the U.K. Financial Conduct Authority (**FCA**) announced that it intends to stop compelling banks to submit LIBOR rates after 2021.

The elimination of LIBOR or any other changes or reforms to the determination or supervision of LIBOR could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us. On July 29, 2021, the Alternative References Rates Committee formally recommended the Secured Overnight Finance Rate (**SOFR**) as its preferred alternative replacement rate for U.S. dollar LIBOR. Although SOFR appears to be the preferred replacement rate for U.S. dollar LIBOR at this time, it is not presently known whether SOFR or any other alternative reference rates that have been proposed will attain market acceptance as replacements of U.S. dollar LIBOR.

Risks associated with turnkey drilling operations could adversely affect our business

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

Mergers and acquisitions entail numerous risks and may disrupt our business or distract management

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

We may incur substantial debt to finance future mergers and acquisitions and also may issue equity securities or convertible securities for mergers and 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 mergers and acquisitions. Mergers and 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 mergers and acquisitions into our operations, we may not derive the benefits such as operational or administrative synergies we expect from mergers and 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.

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, which could have a material adverse effect on our business, financial condition, results of operations and cash flow. Additionally, unexpected events such as

unplanned power outages, natural disasters, supply disruptions, pandemic illness or other unforeseeable circumstances could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Our worldwide operations could be disrupted by terrorism, acts of war, political sanctions, earthquakes, telecommunications failures, power or water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions (whether as a result of climate change or otherwise), medical epidemics or pandemics and other natural or manmade disasters or catastrophic events, for some of which we may be self-insured. The occurrence of any of these business disruptions could result in difficulties in transporting our crews, hiring or managing personnel as well as other significant losses, that may adversely affect our business, financial conditions, results of operations and cash flow, and require substantial expenditures and recovery time in order to fully resume operations.

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

Business in our industry is seasonal and highly variable

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

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

Litigation and legal claims could have an adverse impact on our business

We may be subject to legal proceedings and governmental investigations from time to time related to our business and operations. Lawsuits or claims against us could have a material adverse effect on our business, financial condition, results of operations and cash flow. While we maintain insurance that may cover the cost of certain litigation or have indemnity provisions in our favor, we cannot assure that any insurance or indemnification agreement will cover the cost of theses liabilities, thus litigation or claims could negatively impact our business, reputation, financial condition and cash flow.

Unionization efforts and labor regulations could materially increase our costs or limit our flexibility

Efforts may be made from time to time to unionize portions of our workforce. We may be subject to strikes or work stoppages and other labor disruptions in connection with unionization efforts or renegotiation of existing contracts with unions. Unionization efforts, if successful, new collective bargaining agreements or work stoppages could materially increase our labor costs, reduce our revenues and adversely impact our operations and cash flow.

There are risks associated with increased capital expenditures

The timing and amount of capital expenditures we incur, including those related to our Alpha™ technologies and EverGreen™ suite of environmental solutions, will directly affect the amount of cash available to us. The cost of equipment generally escalates as a result of high input costs during periods of high demand for our drilling rigs and oilfield services equipment and other factors. There is no assurance that we will be able to recover higher capital costs through rate increases to our customers.

A successful challenge by the tax authorities of expense deductions could negatively affect the value of our common shares

Taxation authorities may not agree with the classification of expenses we or our subsidiaries have claimed, or they may challenge the amount of interest expense deducted. If the taxation authorities successfully challenge our classifications or deductions, it could have a material adverse effect on our business financial condition, results of operations and cash flow.

Losing key management could reduce our competitiveness and prospects for future success

Our future success and growth depend 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 business, financial condition, results of operations and cash flow.

Our assessment of capital assets for impairment may result in a non-cash charge against our consolidated net income

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

Our credit ratings may change

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

If a rating agency downgrades our current corporate credit rating or rating of debt, or changes our credit outlook to negative, it could have an adverse effect on our financing costs and access to liquidity and capital.

The price of our common shares can fluctuate

Several factors can cause volatility in our share price, including increases or decreases in revenue or earnings, changes in revenue or earnings estimates by the investment community, failure to meet analysts' expectations, changes in credit ratings, and speculation in the media or investment community about our financial condition or results of operations. General market conditions, the perception of the industry we operate in and service and Canadian, U.S. or international economic and social factors and political events unrelated to our performance may also affect the price of our shares. Investors should therefore not rely on past performance of our shares to predict the future performance of our shares or financial results. At times when our share price is relatively low, we may be subject to takeover attempts by certain companies or institutions acting opportunistically.

While there is currently an active trading market for our shares in both the United States and Canada, we cannot guarantee that an active trading market will be sustained in either country. There could cease to be an active trading market due to, among other factors, minimum listing requirements of stock exchanges. If an active trading market in our shares is not sustained, the trading liquidity of our shares will be limited and the market value of our shares may be reduced.

Selling additional shares could affect share value

While we have a normal course issuer bid in place under which we may acquire our own shares, in the future we may issue additional shares 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 shares, except as may be required by applicable stock exchange rules, and shareholders do not have any pre-emptive rights related to share issues (see *Capital Structure* on page 26).

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

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

We have retained liabilities from prior reorganizations

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

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

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

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

Under certain circumstances, a U.S. person who directly or indirectly owns 10% or more of the voting power of a foreign corporation that is a CFC (generally, a foreign corporation where 10% or more 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 income is not distributed to the person. We are not currently a CFC, but this could change in the future.

EVALUATION OF CONTROLS AND PROCEDURES

Internal Control over Financial Reporting

We maintain internal control over financial reporting that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a – 15(f) and 15d – 15(f) under the United States Securities Exchange Act of 1934, as amended (the **Exchange Act**) and under National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings (**NI 52-109**).

Management, including the Chief Executive Officer (**CEO**) and the Chief Financial Officer (**CFO**), has conducted an evaluation of our internal control over financial reporting based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (**COSO 2013**).

There were no changes in our internal control over financial reporting in 2021 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. Based on management's assessment as of December 31, 2021, management has concluded that our internal control over financial reporting is effective.

The effectiveness of internal control over financial reporting as of December 31, 2021 was audited by KPMG LLP, an independent registered public accounting firm, as stated in their Report of Independent Registered Public Accounting Firm, which is included in this annual report.

Due to its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Further, the evaluation of the effectiveness of internal control over financial reporting was made as of a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate.

Disclosure Controls and Procedures

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

Management, including the CEO and CFO, carried out an evaluation, as of December 31, 2021, of the effectiveness of the design and operation of Precision's disclosure controls and procedures, as defined in Rule 13a – 15(e) and 15d – 15(e) under the Exchange Act and NI 52-109. Based on that evaluation, the CEO and CFO have concluded that the design and operation of Precision's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act or Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in the rules and forms therein.

It should be noted that while the CEO and CFO believe that our disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that these disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

ADVISORIES

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS

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

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

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

- our strategic priorities for 2022
- our capital expenditures, free cash flow allocation and debt reduction plan for 2022
- anticipated activity levels in 2022
- anticipated demand for our drilling rigs
- plans for returns of capital to shareholders
- the average number of term contracts in place for 2022
- customer adoption of Alpha™ technologies and EverGreen™ suite of environmental solutions
- potential commercial opportunities and rig contract renewals
- our future debt reduction plans
- addition of a new female director to our Board in 2022
- our outlook on oil and natural gas prices
- target Net Debt to Adjusted EBITDA
- the potential impact liquefied natural gas export development could have on North American drilling activity
- our expectations that new or newer rigs will enter the markets we currently operate in, and
- our ability to remain compliant with our Senior Credit Facility and Real Estate Credit Facility financial debt covenants.

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

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

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

- volatility in the price and demand for oil and natural gas
- the success of vaccinations for COVID-19 worldwide
- fluctuations in the level of oil and natural gas exploration and development activities
- fluctuations in the demand for contract drilling, directional drilling, well servicing and ancillary oilfield services
- our customers' inability to obtain adequate credit or financing to support their drilling and production activity
- changes in drilling and well servicing technology, which could reduce demand for certain rigs or put us at a competitive advantage
- shortages, delays and interruptions in the delivery of equipment supplies and other key inputs
- liquidity of the capital markets to fund customer drilling programs
- availability of cash flow, debt and equity sources to fund our capital and operating requirements, as needed
- the impact of weather and seasonal conditions on operations and facilities
- competitive operating risks inherent in contract drilling, directional drilling, well servicing and ancillary oilfield services
- ability to improve our rig technology to improve drilling efficiency
- general political, economic, market or business conditions
- the availability of qualified personnel and management
- a decline in our safety performance which could result in lower demand for our services

- changes in laws or regulations, including changes in environmental laws and regulations such as increased regulation of hydraulic fracturing or restrictions on the burning of fossil fuels and greenhouse gas emissions, which could have an adverse impact on the demand for oil and natural gas
- terrorism, social, civil and political unrest in the foreign jurisdictions where we operate
- fluctuations in foreign exchange, interest rates and tax rates, and
- other unforeseen conditions which could impact the use of services supplied by Precision and our ability to respond to such conditions.

Readers are cautioned that the foregoing list of risk factors is not exhaustive. You can find more information about these and other factors that could affect our business, operations or financial results in this MD&A under the section titled "*Risks in our Business*" and in reports on file with securities regulatory authorities from time to time, including but not limited to our annual information form (**AIF**) for the year ended December 31, 2021, which you can find in our profile on SEDAR (**www.sedar.com**) or in our profile on EDGAR (**www.sec.gov**).

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

FINANCIAL MEASURES AND RATIOS

NON-GAAP FINANCIAL MEASURES

We reference certain additional Non-Generally Accepted Accounting Principles GAAP measures that are not defined terms under IFRS to assess performance because we believe they provide useful supplemental information to investors.

Adjusted EBITDA We believe that adjusted EBITDA (earnings before income taxes, loss (gain) on redemption and repurchase of unsecured senior notes, loss on investments and other assets, finance charges, foreign exchange, gain on asset disposals, and depreciation and amortization), as reported in our Consolidated Statements of Net Earnings (Loss), is a useful measure, because it gives an indication of the results from our principal business activities prior to consideration of how our activities are financed and the impact of foreign exchange, taxation and depreciation and amortization charges.

The most directly comparable financial measure is net earnings (loss).

Funds Provided by (Used In) Operations We believe that funds provided by (used in) operations, as reported in our Consolidated Statements of Cash Flow, is a useful measure because it provides an indication of the funds our principal business activities generate prior to consideration of working capital changes, which is primarily made up of highly liquid balances.

The most directly comparable financial measure is cash provided by (used in) operations.

Net Capital Spending We believe net capital spending is a useful measure as it provides an indication of our primary investment activities.

The most directly comparable financial measure is cash provided by (used in) investing activities.

Net capital spending is calculated as follows:

Year ended December 31 *(in thousands of dollars)*	**2021**	2020	2019
Capital spending by spend category			
Expansion and upgrade	**19,006**	26,858	120,910
Maintenance and infrastructure	**56,935**	34,677	38,976
Intangibles	**—**	57	808
	75,941	61,592	160,694
Proceeds on sale of property, plant and equipment	**(13,086)**	(21,094)	(90,768)
Net capital spending	**62,855**	40,498	69,926
Purchase of investments and other assets	**3,500**	—	—
Changes in non-cash working capital balances	**(9,742)**	19	(4,574)
Cash used in investing activities	**56,613**	40,517	74,500

Operating Earnings (Loss) We believe that operating earnings (loss) is a useful measure because it provides an indication of the results of our principal business activities before consideration of how those activities are financed and the impact of foreign exchange and taxation.

The most directly comparable financial measure is net earnings (loss).

Operating earnings (loss) is calculated as follows:

Year ended December 31 *(in thousands of dollars)*	**2021**	2020	2019
Revenue	**986,847**	935,753	1,541,320
Expenses:			
Operating	**698,144**	583,420	1,038,967
General and administrative	**95,931**	70,869	104,010
Restructuring	**—**	18,061	6,438
Depreciation and amortization	**282,326**	316,322	333,616
Gain on asset disposals	**(8,516)**	(11,931)	(50,741)
Loss on asset decommissioning	**—**	—	20,263
Reversal of impairment of property, plant and equipment	**—**	—	(5,810)
Operating earnings (loss)	**(81,038)**	(40,988)	94,577
Foreign exchange	**393**	4,542	(8,722)
Finance charges	**91,431**	107,468	118,453
Loss on investments and other assets	**400**	—	—
Loss (gain) on repurchase of unsecured senior notes	**9,520**	(43,814)	(6,815)
Income taxes	**(5,396)**	10,954	(14,957)
Net earnings (loss)	**(177,386)**	(120,138)	6,618

Working Capital We define working capital as current assets less current liabilities, as reported in our Consolidated Statements of Financial Position.

Working capital is calculated as follows:

Year ended December 31 *(in thousands of dollars)*	**2021**	2020	2019
Current assets	**319,757**	342,263	417,765
Current liabilities	**(238,120)**	(166,840)	(216,069)
Working capital	**81,637**	175,423	201,696

NON-GAAP RATIOS

We reference certain additional non-GAAP ratios that are not defined terms under IFRS to assess performance because we believe they provide useful supplemental information to investors.

Adjusted EBITDA % of Revenue We believe that adjusted EBITDA as a percentage of consolidated revenue, as reported in our Consolidated Statements of Net Earnings (Loss), provides an indication of our profitability from our principal business activities prior to consideration of how our activities are financed and the impact of foreign exchange, taxation and depreciation and amortization charges.

Net Debt to Adjusted EBITDA We believe that the net debt (long-term debt less cash, as reported in our Consolidated Statements of Financial Position) to Adjusted EBITDA ratio provides an indication to the number of years it would take for us to repay our debt obligations.

SUPPLEMENTARY FINANCIAL MEASURES

We reference certain supplementary financial measures that are not defined terms under IFRS to assess performance because we believe they provide useful supplemental information to investors.

Capital Spending by Spend Category We provide additional disclosure to better depict the nature of our capital spending. Our capital spending is categorized as expansion and upgrade, maintenance and infrastructure, or intangibles.

Enterprise Value We calculate our enterprise value as our market capitalization (outstanding common shares multiplied by our share price at the reporting date) plus our long-term debt less cash, as reported in our Consolidated Statements of Financial Position.

Long-term debt to cash provided by (used in) operations We calculate our long-term debt, as reported in our Consolidated Statements of Financial Position, to cash provided by (used in) operations, as reported in our Consolidated Statements of Cash Flow.

Working Capital Ratio We define our working capital ratio as current assets divided by current liabilities, as reported in our Consolidated Statements of Financial Position.

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 judgements 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**) as issued by the International Accounting Standards Board (**IASB)** and 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 the 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 as issued by the IASB. The MD&A compares the audited financial results for the years ended December 31, 2021 and December 31, 2020.

Management is responsible for establishing and maintaining adequate internal control over the Corporation's financial reporting and is supported by an internal audit function that conducts periodic testing of these controls. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Consolidated Financial Statements for external reporting purposes in accordance with IFRS. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of, and with direction from, our principal executive officer and principal financial and accounting officer, management conducted an evaluation of the effectiveness of the Corporation's internal control over financial reporting. Management's evaluation of internal control over financial reporting was based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (**COSO 2013**). Based on this evaluation, management concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2021. Also, management determined that there were no material weaknesses in the Corporation's internal control over financial reporting as of December 31, 2021.

KPMG LLP (**KPMG**), a Registered Public Accounting Firm, was engaged, as approved by a vote of shareholders at the Corporation's most recent annual meeting, to audit the Consolidated Financial Statements and provide an independent professional opinion.

KPMG also completed an audit of the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2021, as stated in its report included in this Annual Report and has expressed an unqualified opinion on the effectiveness of internal control over financial reporting as of December 31, 2021.

The Audit Committee of the Board of Directors, which is comprised of five independent directors who are not employees of the Corporation, provides oversight to the financial reporting process. Integral to this process is the Audit Committee's review and discussion with management and KPMG of the quarterly and annual financial statements and reports prior to their respective release. The Audit Committee is also responsible for reviewing and discussing with management and KPMG major issues as to the adequacy of the Corporation's internal controls. KPMG has unrestricted access to the Audit Committee to discuss its audit and related matters. The Consolidated Financial Statements have been approved by the Board of Directors and its Audit Committee.

/s/ Kevin A. Neveu

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

March 4, 2022

/s/ Carey T. Ford

Carey T. Ford
Senior Vice President and Chief Financial Officer
Precision Drilling Corporation

March 4, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Precision Drilling Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Precision Drilling Corporation and subsidiaries (**the Company**) as of December 31, 2021 and 2020, the related consolidated statements of loss, comprehensive loss, changes in equity, and cash flow for the years then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for each of the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (**PCAOB**), the Company's internal control over financial reporting as of December 31, 2021, based on "criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 4, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgements. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of indicators of impairment for the Contract Drilling cash generating units (CGUs)

As discussed in notes 3(f) and 3(s) to the consolidated financial statements, the Corporation reviews the carrying amount of each of the cash generating units (CGUs) at each reporting date to determine whether an indicator of impairment exists based on an analysis of relevant internal and external factors. The Corporation analyzes indicators that an asset may be impaired such as financial performance of the CGUs compared to historical results and forecasts and consideration of the Corporation's market capitalization. The Corporation did not identify an indicator of impairment within the Corporation's Contract Drilling CGUs as at December 31, 2021. Accordingly, no impairment tests were performed on the Contract Drilling CGUs as at December 31, 2021. Total assets recognized in the Contract Drilling CGUs at December 31, 2021 were approximately $2,392,382 thousand.

We identified the assessment of indicators of impairment for the Corporation's Contract Drilling CGUs as a critical audit matter. Complex auditor judgement was required in evaluating the amount of earnings before income taxes, loss (gain) on redemption and repurchase of unsecured senior notes, loss on investments and other assets, finance charges, foreign exchange, gain on asset disposals and depreciation and amortization (Adjusted EBITDA) budgeted for 2022 for the Contract Drilling CGUs, used in the indicator of impairment assessment for comparison to the Adjusted EBITDA for 2021, and consideration of the Corporation's market capitalization on the Corporation's impairment indicator assessment.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of the internal control over the Corporation's identification and evaluation of indicators that the Contract Drilling CGUs may be impaired, which includes the comparison of the Adjusted EBITDA budgeted for 2022 to the Adjusted EBITDA for 2021, and the assessment of the Corporation's market capitalization. We evaluated the Corporation's 2022 budgeted Adjusted EBITDA for the Contract Drilling CGUs by comparing it to historical results considering the impact of changes

in conditions and events affecting the Contract Drilling CGUs. We compared the Corporation's 2021 budgeted Adjusted EBITDA for the Contract Drilling CGUs to actual results to assess the Corporation's ability to accurately forecast. We evaluated the changes in market capitalization over the year and its impact on the Corporation's impairment indicator analysis.

/s/ KPMG LLP

Chartered Professional Accountants

We have served as the Company's auditor since 1987.

Calgary, Canada
March 4, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Precision Drilling Corporation

Opinion on Internal Control over Financial Reporting

We have audited Precision Drilling Corporation's and subsidiaries' (the**Company**) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) **PCAOB**), the consolidated statements of financial position of the Company as of December 31, 2021 and 2020, the related consolidated statements of loss, comprehensive loss, changes in equity, and cash flow for the years then ended, and the related notes (collectively, the consolidated financial statements), and our report dated March 4, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company'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 Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of

effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 4, 2022

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in thousands of Canadian dollars)		December 31, 2021	December 31, 2020
ASSETS			
Current assets:			
Cash		**$ 40,588**	$ 108,772
Accounts receivable	*(Note 25)*	**255,740**	207,209
Inventory		**23,429**	26,282
Total current assets		**319,757**	342,263
Non-current assets:			
Deferred tax assets	*(Note 14)*	**867**	1,098
Property, plant and equipment	*(Note 7)*	**2,258,391**	2,472,683
Intangibles	*(Note 8)*	**23,915**	27,666
Right-of-use assets	*(Note 12)*	**51,440**	55,168
Investments and other assets		**7,382**	—
Total non-current assets		**2,341,995**	2,556,615
Total assets		**$ 2,661,752**	$ 2,898,878
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	*(Note 25)*	**$ 224,123**	$ 150,957
Income tax payable		**839**	3,702
Current portion of lease obligations		**10,935**	11,285
Current portion of long-term debt	*(Note 9)*	**2,223**	896
Total current liabilities		**238,120**	166,840
Non-current liabilities:			
Share-based compensation	*(Note 13)*	**26,728**	11,507
Provisions and other	*(Note 16)*	**6,513**	7,563
Lease obligations		**45,823**	48,882
Long-term debt	*(Note 9)*	**1,106,794**	1,236,210
Deferred tax liabilities	*(Note 14)*	**12,219**	21,236
Total non-current liabilities		**1,198,077**	1,325,398
Shareholders' equity:			
Shareholders' capital	*(Note 17)*	**2,281,444**	2,285,738
Contributed surplus		**76,311**	72,915
Deficit		**(1,266,980)**	(1,089,594)
Accumulated other comprehensive income	*(Note 19)*	**134,780**	137,581
Total shareholders' equity		**1,225,555**	1,406,640
Total liabilities and shareholders' equity		**$ 2,661,752**	$ 2,898,878

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors:

/s/ William T. Donovan
William T. Donovan
Director

/s/ Steven W. Krablin
Steven W. Krablin
Director

CONSOLIDATED STATEMENTS OF LOSS

Years ended December 31, *(Stated in thousands of Canadian dollars, except per share amounts)*		2021	2020
Revenue	*(Note 5)*	**$ 986,847**	$ 935,753
Expenses:			
Operating	*(Note 10, 25)*	**698,144**	583,420
General and administrative	*(Note 10, 25)*	**95,931**	70,869
Restructuring	*(Note 10)*	**—**	18,061
Earnings before income taxes, loss (gain) on redemption and repurchase of unsecured senior notes, loss on investments and other assets, finance charges, foreign exchange, gain on asset disposals, and depreciation and amortization		**192,772**	263,403
Depreciation and amortization		**282,326**	316,322
Gain on asset disposals		**(8,516)**	(11,931)

Foreign exchange			**393**		4,542
Finance charges	*(Note 11)*		**91,431**		107,468
Loss on investments and other assets			**400**		—
Loss (gain) on redemption and repurchase of unsecured senior notes	*(Note 9)*		**9,520**		(43,814)
Loss before income taxes			**(182,782)**		(109,184)
Income taxes:	*(Note 14)*				
Current			**3,203**		5,290
Deferred			**(8,599)**		5,664
			(5,396)		10,954
Net loss		**$**	**(177,386)**	$	(120,138)
Net loss per share:	*(Note 18)*				
Basic		**$**	**(13.32)**	$	(8.76)
Diluted		**$**	**(13.32)**	$	(8.76)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Years ended December 31, *(Stated in thousands of Canadian dollars)*		**2021**		2020
Net loss	**$**	**(177,386)**	$	(120,138)
Unrealized loss on translation of assets and liabilities of operations denominated in foreign currency		**(11,256)**		(25,925)
Foreign exchange gain on net investment hedge with U.S. denominated debt		**8,455**		23,853
Tax benefit related to net investment hedge of long-term debt		**—**		5,398
Comprehensive loss	**$**	**(180,187)**	$	(116,812)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

Years ended December 31, *(Stated in thousands of Canadian dollars)*		**2021**		2020
Cash provided by:				
Operations:				
Net loss	**$**	**(177,386)**	$	(120,138)
Adjustments for:				
Long-term compensation plans		**31,952**		17,769
Depreciation and amortization		**282,326**		316,322
Gain on asset disposals		**(8,516)**		(11,931)
Foreign exchange		**1,733**		4,808
Finance charges		**91,431**		107,468
Income taxes		**(5,396)**		10,954
Other		**(972)**		(2,392)
Loss on investments and other assets		**400**		—
Loss (gain) on redemption and repurchase of unsecured senior notes		**9,520**		(43,814)
Income taxes paid		**(5,999)**		(6,468)
Income taxes recovered		**48**		1,385
Interest paid		**(67,258)**		(103,851)
Interest received		**360**		615
Funds provided by operations		**152,243**		170,727
Changes in non-cash working capital balances	*(Note 25)*	**(13,018)**		55,391
Cash provided by operations		**139,225**		226,118
Investments:				
Purchase of property, plant and equipment	*(Note 7)*	**(75,941)**		(61,535)
Purchase of intangibles	*(Note 8)*	**—**		(57)
Proceeds on sale of property, plant and equipment		**13,086**		21,094
Purchase of investments and other assets		**(3,500)**		—
Changes in non-cash working capital balances	*(Note 25)*	**9,742**		(19)
Cash used in investing activities		**(56,613)**		(40,517)
Financing:				
Issuance of long-term debt	*(Note 9)*	**696,341**		151,066
Repayment of long-term debt	*(Note 9)*	**(824,871)**		(278,112)
Repurchase of share capital	*(Note 17)*	**(4,294)**		(11,317)
Debt amendment fees	*(Note 8)*	**(913)**		(690)
Debt issue costs	*(Note 9)*	**(9,450)**		(354)
Lease payments		**(6,726)**		(6,217)
Cash used in financing activities		**(149,913)**		(145,624)
Effect of exchange rate changes on cash		**(883)**		(5,906)
Increase (decrease) in cash		**(68,184)**		34,071
Cash, beginning of year		**108,772**		74,701
Cash, end of year	**$**	**40,588**	$	108,772

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Stated in thousands of Canadian dollars)	Shareholders' Capital *(Note 17)*	Contributed Surplus	Accumulated Other Comprehensive Income *(Note 19)*	Deficit	Total Equity
Balance at January 1, 2021	$ 2,285,738	$ 72,915	$ 137,581	$ (1,089,594)	$ 1,406,640
Net loss	—	—	—	(177,386)	(177,386)
Other comprehensive loss	—	—	(2,801)	—	(2,801)
Share-based payment reclassification	—	(4,757)	—	—	(4,757)
Share repurchase	(4,294)	—	—	—	(4,294)
Share-based compensation expense	—	8,153	—	—	8,153
Balance at December 31, 2021	**$ 2,281,444**	**$ 76,311**	**$ 134,780**	**$ (1,266,980)**	**$ 1,225,555**

(Stated in thousands of Canadian dollars)	Shareholders' Capital *(Note 17)*	Contributed Surplus	Accumulated Other Comprehensive Income *(Note 19)*	Deficit	Total Equity
Balance at January 1, 2020	$ 2,296,378	$ 66,255	$ 134,255	$ (969,456)	$ 1,527,432
Net loss	—	—	—	(120,138)	(120,138)
Other comprehensive income	—	—	3,326	—	3,326
Redemption of non-management directors' DSUs	677	(502)	—	—	175
Share-based payment reclassification	—	(8,331)	—	—	(8,331)
Share repurchase	(11,317)	—	—	—	(11,317)
Share-based compensation expense	—	15,493	—	—	15,493
Balance at December 31, 2020	$ 2,285,738	$ 72,915	$ 137,581	$ (1,089,594)	$ 1,406,640

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are stated in thousands of Canadian dollars except share numbers and per share amounts)

NOTE 1. DESCRIPTION OF BUSINESS

Precision Drilling Corporation (**Precision** or the **Corporation**) is incorporated under the laws of the Province of Alberta, Canada and is a provider of contract drilling and completion and production services primarily to oil and natural gas exploration and production companies in Canada, the United States and certain international locations. The address of the registered office is 800, 525 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1G1.

NOTE 2. BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

These consolidated financial statements were authorized for issue by the Board of Directors on March 4, 2022.

(b) Basis of Measurement

The consolidated financial statements have been prepared using the historical cost basis and are presented in thousands of Canadian dollars.

(c) Use of Estimates and Judgements

The preparation of the consolidated financial statements requires management to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingencies. These estimates and judgements are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The estimation of anticipated future events involves uncertainty and, consequently, the estimates used in preparation of the consolidated financial statements may change as future events unfold, more experience is acquired, or the Corporation's operating environment changes. The Corporation reviews its estimates and assumptions on an ongoing basis. Adjustments that result from a change in estimate are recorded in the period in which they become known. Significant estimates and judgements used in the preparation of the consolidated financial statements are described in Note 3(d), (e), (f), (h), (i), (k), (q) and (s) and Note 4.

Climate-related risks and opportunities may have a future impact on the Corporation and its estimates and judgements, including but not limited to the useful life and residual value of its property, plant and equipment and the measurement of projected cash flows when identifying impairment triggers, performing tests for impairment or impairment recoveries of non-financial assets.

The Corporation evaluated the remaining useful lives and residual values of its property, plant and equipment, concluding they remain reasonable given the current estimate of the demand period for oil and natural gas extractive services well exceeds their remaining useful lives. In addition, the Corporation's property, plant and equipment, including drill rig equipment, adapts to numerous low-carbon projects, including but not limited to, geothermal drilling, carbon capture and storage and the extraction of helium and hydrogen gas.

In future periods, if indications of impairment of non-financial assets exist, the Corporation's measurement of projected cash flows may be exposed to higher estimation uncertainty, including but not limited to the Corporation's continued capital investment required to lower the carbon intensity of its property, plant and equipment, period and growth expectations used to calculate terminal values and the Corporation's weighted average cost of capital.

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 consolidated financial statements of the subsidiaries are prepared for the same period as the parent entity, using consistent accounting policies. All significant intercompany balances and transactions and any unrealized gains and losses arising from intercompany transactions, have been eliminated.

Subsidiaries are entities controlled by the Corporation. Control exists when Precision has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Precision does not hold investments in any companies where it exerts significant influence and does not hold interests in any special-purpose entities.

The acquisition method is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the statement of earnings. Transaction costs, other than those associated with the issuance of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

(b) Cash

Cash consists of cash and short-term investments with original maturities of three months or less.

(c) Inventory

Inventory is primarily comprised of operating supplies and 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 net earnings 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
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	up to 15 years	0 to 25%	straight-line
Other equipment	3 to 10 years	–	straight-line
Light duty vehicles	4 years	–	straight-line
Heavy duty vehicles	7 to 10 years	–	straight-line
Buildings	10 to 20 years	–	straight-line

Property, plant and equipment are depreciated based on estimates of useful lives and salvage values. These estimates consider data and information from various sources including vendors, industry practice, and Precision's own historical experience and may change as more experience is gained, market conditions shift, or technological advancements are made.

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

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

The estimated useful lives, residual values and method and components of depreciation are reviewed annually, and adjusted prospectively, if appropriate.

(e) Intangibles

Intangible assets that are acquired by the Corporation with finite lives are initially recorded at estimated fair value and subsequently measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits of the specific asset to which they relate.

Intangible assets are amortized based on estimates of useful lives. These estimates consider data and information from various sources including vendors and Precision's own historical experience and may change as more experience is gained or technological advancements are made.

Amortization is recognized in net earnings using the straight-line method over the estimated useful lives of the respective assets. Precision's loan commitment fees are amortized over the term of the respective facility. Software is amortized over its expected useful life of up to 10 years.

The estimated useful lives and methods of amortization are reviewed annually and adjusted prospectively if appropriate.

(f) Impairment of 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. 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). Judgement is required in the aggregation of assets into CGUs.

If any such indication exists, then the asset or CGU's recoverable amount is estimated. Judgement is required when evaluating whether a CGU has indications of impairment. For CGUs that contain goodwill and other intangible assets that have indefinite lives or that are not yet available for use, an impairment test is, at a minimum, completed annually as of December 31.

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from the CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. 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.

(g) 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 net earnings in the period in which they are incurred.

(h) 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 asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in net earnings in the period that includes the date of enactment or substantive enactment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities that are expected to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Corporation is subject to taxation in numerous jurisdictions. Uncertainties exist with respect to the interpretation of complex tax regulations and requires significant judgement. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expense already recorded.

The Corporation establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions are 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.

(i) Revenue from Contracts with Customers

Precision recognizes revenue from a variety of sources. In general, customer invoices are issued upon rendering all performance obligations for an individual well-site job. Under the Corporation's standard contract terms, customer payments are to be received within 30 days of the customer's receipt of an invoice.

Contract Drilling Services

The Corporation contracts individual drilling rig packages, including crews and support equipment, to its customers. Depending on the customer's drilling program, contracts may be for a single well, multiple wells or a fixed term. Revenue from contract drilling services is recognized over time from spud to rig release on a daily basis. Operating days are measured through industry standard tour sheets that document the daily activity of the rig. Revenue is recognized at the applicable day rate for each well, based on rates specified in the drilling contract.

The Corporation provides services under turnkey contracts, whereby Precision is required to drill a well to an agreed upon depth under specified conditions for a fixed price, regardless of the time required or problems encountered in drilling the well. Revenue from turnkey drilling contracts is recognized over time using the input method based on costs incurred to date in relation to estimated total contract costs, as that most accurately depicts the Corporation's performance.

The Corporation also provided directional drilling services, which included the provision of directional drilling equipment, tools and personnel to the wellsite, and performance of daily directional drilling services. Directional drilling revenue was recognized over time, upon the daily completion of operating activities. Operating days were measured through daily tour sheets. Revenue was recognized at the applicable day rate, as stipulated in the directional drilling contract. The Corporation's directional drilling business was sold in July 2021.

Completion and Production Services

The Corporation provides a variety of well completion and production services including well servicing. In general, service rigs do not involve long-term contracts or penalties for termination. Revenue is recognized daily upon completion of services. Operating days are measured through daily tour sheets and field tickets. Revenue is recognized at the applicable daily or hourly rate, as stipulated in the contract.

The Corporation offers its customers a variety of oilfield equipment for rental. Rental revenue is recognized daily at the applicable rate stated in the rental contract. Rental days are measured through field tickets.

The Corporation provides accommodation and catering services to customers in remote locations. Customers contract these services either as a package or individually for a fixed term. For accommodation services, the Corporation supplies camp equipment and revenue is recognized over time on a daily basis, once the equipment is on-site and available for use, at the applicable rate stated in the contract. For catering services, the Corporation recognizes revenue daily according to meals served. Accommodation and catering services provided are measured through field tickets.

(j) 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.

(k) Provisions

Provisions are recognized when the Corporation has a present obligation 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.

(l) 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. The estimated fair value of 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 an employee share purchase plan that allows eligible employees to purchase common shares through payroll deductions.

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.

The Corporation has a share option plan 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.

(m) Foreign Currency Translation

Transactions of the Corporation's individual entities are recorded in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the entities' functional currency are translated at rates in effect at the time of the transaction. At each period end, monetary assets and liabilities are translated at the prevailing period-end rates. Non-monetary items that are measured in terms of historical cost in a

foreign currency are not retranslated. Gains and losses are included in net earnings except for gains and losses on translation of long-term debt designated as a hedge of foreign operations, which are deferred and included in other comprehensive income.

For the purpose of preparing the Corporation's consolidated financial statements, the financial statements of each foreign operation that does not have a Canadian dollar functional currency are translated into Canadian dollars. Assets and liabilities are translated at exchange rates in effect at the period end date. Revenues and expenses are translated using average exchange rates for the month of the respective transaction. Gains or losses resulting from these translation adjustments are recognized initially in other comprehensive income and reclassified from equity to net earnings on disposal or partial disposal of the foreign operation.

(n) 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.

(o) Financial Instruments

i) Non-Derivative Financial Instruments:

Financial assets and liabilities are classified and measured at amortized cost, fair value through other comprehensive income or fair value through net earnings. The classification of financial assets and liabilities is generally based on the business model in which the asset or liability is managed and its contractual cash flow characteristics. Financial assets held within a business model whose objective is to collect contractual cash flows and whose contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding are measured at amortized cost. After their initial fair value measurement, accounts receivable, accounts payable and accrued liabilities and long-term debt are classified and measured at amortized cost using the effective interest rate method.

Upon initial recognition of a non-derivative financial asset a loss allowance is recorded for Expected Credit Losses (**ECL**). Loss allowances for trade receivables are measured based on lifetime ECL that incorporates historical loss information and is adjusted for current economic and credit conditions.

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 net earnings and are recorded on the statement of financial position at estimated fair value. Transaction costs are recognized in net earnings when incurred.

Derivatives embedded in financial assets are never separated. Rather, the financial instrument as a whole is assessed for classification. Derivatives embedded in financial liabilities 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 in financial liabilities are recorded on the statement of financial position at estimated fair value and changes in the fair value are recognized in earnings.

(p) 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 from fluctuations 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 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 ineffective portions are recorded through net earnings.

A reduction in the fair value of the net investment in the foreign operations or increase in the foreign currency long-term debt balance may result in a portion of the hedge becoming ineffective. If the hedging relationship ceases to be effective or is terminated, hedge accounting is not applied to subsequent gains or losses. The amounts recognized in other comprehensive income are reclassified to net earnings and the corresponding exchange gains or losses arising from the translation of the foreign operation are recorded through net earnings upon dissolution or substantial dissolution of the foreign operation.

(q) Leases

At inception, Precision assesses whether its contracts contain a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The assessment of whether a contract conveys the right to control the use of an identified asset considers whether:

- the contract involves the use of an identified asset and the substantive substitution rights of the supplier. If the supplier has a substantive substitution right, then the asset is not identified;
- the lessee's right to obtain substantially all of the economic benefits from the use of the asset; and
- the lessee's right to direct the use of the asset, including decision-making to change how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, Precision allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Leases in which Precision is a lessee

Precision recognizes a right-of-use asset and corresponding lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for lease payments made on or before commencement date, incurred initial direct costs, estimated site retirement costs and any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are consistent with those of property, plant and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation is initially measured at the present value of the minimum lease payments not paid at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Precision's incremental borrowing rate. Generally, Precision uses its incremental borrowing rate as the discount rate for those leases in which it is the lessee.

Lease payments included in the measurement of the lease obligation comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that Precision is reasonably certain to exercise, lease payments in an optional renewal period if Precision is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Precision is reasonably certain not to terminate early.

The lease obligation is measured at amortized cost using the effective interest method. The measurement of lease obligations require the use of certain estimates and assumptions including discount rates, exercise of lease term extension options, and escalating lease rates. It is remeasured when there is a change in:

- future lease payments arising from a change in an index or rate;
- the estimated amount expected to be payable under a residual value guarantee; or
- the assessment of whether Precision will exercise a purchase, extension or termination option.

When the lease obligation is remeasured in this way, a corresponding adjustment is made to the carrying amount of theright-of-use asset, or is recorded in net earnings if the carrying amount of the right-of-use asset has been reduced to zero.

Leases in which Precision is a lessor

When Precision acts as a lessor, at inception, Precision evaluates the classification as either a finance or operating lease.

To classify each lease, Precision makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When acting as a sub-lessor, Precision accounts for its interests in the head lease and thesub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease then Precision classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, Precision applies IFRS 15 to allocate the consideration in the contract. Precision recognizes lease payments received under operating leases for drilling rigs as income on a systematic basis, drilling days, over the lease term as part of revenue.

(r) Government Assistance and Grants

Precision may receive government grants in the form of transfers of resources in return for past or future compliance with certain conditions relating to operating activities. Government grants are recognized once there is reasonable assurance that Precision will comply with the attached conditions and grants will be received. Government grants are recognized in net earnings on a systematic basis over the periods in which Precision recognizes expenses related to costs for which the grants are intended to compensate.

(s) Critical Accounting Assumptions and Estimates

i) Impairment of Long-Lived Assets

At each reporting date, the Corporation reviews the carrying amount of assets in each CGU to determine whether an indicator of impairment exists. The Corporation's analysis is based on relevant internal and external factors that indicate a CGU may be impaired such as the obsolescence or planned disposal of significant assets, financial performance of the CGU compared to forecasts and consideration of the Corporation's market capitalization.

When indications of impairment exist within a CGU, a recoverable amount is determined and requires assumptions to estimate future discounted cash flows. These estimates and assumptions include future drilling activity and margins and the resulting estimated adjusted earnings before interest, taxes, depreciation and amortization associated with the CGU and the discount rate used to present value the estimated cash flows. In selecting a discount rate, the Corporation uses observable market data inputs to develop a rate that the Corporation believes approximates the discount rate of market participants.

Although the Corporation believes the assumptions and estimates are reasonable and consistent with current conditions, internal planning, and expected future operations, such assumptions and estimations are subject to significant uncertainty and judgement.

ii) Income Taxes

Significant estimation and assumptions are required in determining the provision for income taxes. The recognition of deferred tax assets in respect of deductible temporary differences and unused tax losses and credits is based on the Corporation's estimation of future taxable profit against which these differences, losses and credits may be used. The assessment is based upon existing tax laws and estimates of the Corporation's future taxable income. These estimates may be materially different from the actual final tax return in future periods.

(t) Accounting Standards Adopted in 2021

i) Simplification of Financial Disclosures about Guarantors

On January 1, 2021, the Corporation adopted the Securities and Exchange Commission's amendments to the financial disclosure requirements for guarantors and issuers of guaranteed securities, as specified in Rule 3-10 of Regulation S-X. The amendments simplify disclosure requirements by replacing condensed consolidated financial information with summarized financial information and expanded qualitative non-financial disclosures about the guarantees, issuers and guarantors. This disclosure can be found in Note 27.

(u) Accounting Standards and Amendments not yet Effective

The IASB has issued a number of new standards and amendments to existing standards that will become effective for periods subsequent to December 31, 2021. Accordingly, these new standards and amendments were not applied when preparing these consolidated financial statements. For each standard, Precision has assessed or is in the process of assessing the impact these new standards and amendments will have on its consolidated financial statements.

Standards and Amendments	Effective for periods beginning on or after	Impact to Precision Drilling Corporation
Annual improvements to IFRS Standards 2018–2020	January 1, 2022	Not material
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022	Review in-progress
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022	Review in-progress
IFRS 17 *Insurance Contracts* and Amendments to IFRS 17	January 1, 2023	Not material
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023	Review in-progress
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023	Review in-progress
Disclosure of Accounting Policies (Amendments of IAS 1)	January 1, 2023	Review in-progress

NOTE 4. IMPACT OF COVID-19

In 2021, the Novel Coronavirus (COVID-19) pandemic persisted as the emergence of virus variants caused continued disruptions to global markets. The challenging economic climate continued to have adverse impact on the Corporation including, but not limited to, reductions in revenue and cash flows, labour constraints and supply chain inflation. The situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and financial effect on the Corporation remains unknown at this time. Estimates and judgements made by management in the preparation of these consolidated financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

NOTE 5. REVENUE

The following table includes a reconciliation of disaggregated revenue by reportable segment (Note 6). Revenue has been disaggregated by primary geographical market and type of service provided.

Year ended December 31, 2021	**Contract Drilling Services**	**Completion and Production Services**	**Corporate and Other**	**Inter-Segment Eliminations**	**Total**
United States	**$ 385,330**	**$ 12,700**	**$ —**	**$(6)**	**$ 398,024**
Canada	**347,562**	**100,788**	**—**	**(4,578)**	**443,772**
International	**145,051**	**—**	**—**	**—**	**145,051**
	$ 877,943	**$ 113,488**	**$ —**	**$ (4,584)**	**$ 986,847**
Day rate/hourly services	**$ 845,832**	**$ 113,488**	**$ —**	**$ (462)**	**$ 958,858**
Shortfall payments/idle but contracted	**543**	**—**	**—**	**—**	**543**
Turnkey drilling services	**17,086**	**—**	**—**	**—**	**17,086**
Directional services[1]	**7,871**	**—**	**—**	**—**	**7,871**
Other	**6,611**	**—**	**—**	**(4,122)**	**2,489**
	$ 877,943	**$ 113,488**	**$ —**	**$ (4,584)**	**$ 986,847**

(1) Directional drilling disposed in the third quarter of 2021.

Year ended December 31, 2020	Contract Drilling Services	Completion and Production Services	Corporate and Other	Inter-Segment Eliminations	Total
United States	$ 427,436	$ 16,630	$ —	$ (14)	$ 444,052
Canada	247,678	60,621	—	(2,686)	305,613
International	186,088	—	—	—	186,088
	$ 861,202	$ 77,251	$ —	$ (2,700)	$ 935,753
Day rate/hourly services	$ 779,772	$ 77,251	$ —	$ (393)	$ 856,630
Shortfall payments/idle but contracted	51,028	—	—	—	51,028
Turnkey drilling services	14,134	—	—	—	14,134
Directional services	9,637	—	—	—	9,637
Other	6,631	—	—	(2,307)	4,324
	$ 861,202	$ 77,251	$ —	$ (2,700)	$ 935,753

NOTE 6. SEGMENTED INFORMATION

The Corporation operates primarily in Canada, the United States and certain international locations, intwo industry segments; Contract Drilling Services and Completion and Production Services. Contract Drilling Services includes drilling rigs, directional drilling (disposed in the third quarter of 2021), procurement and distribution of oilfield supplies, and the manufacture, sale and repair of drilling equipment. Completion and Production Services includes service rigs, oilfield equipment rental, and camp and catering services.

Year ended December 31, 2021	**Contract Drilling Services**	**Completion and Production Services**	**Corporate and Other**	**Inter-Segment Eliminations**	**Total**
Revenue	**$ 877,943**	**$ 113,488**	**$ —**	**$ (4,584)**	**$ 986,847**
Operating earnings (loss)	**(16,867)**	**8,927**	**(73,098)**	**—**	**(81,038)**
Depreciation and amortization	**256,072**	**15,405**	**10,849**	**—**	**282,326**
Gain on asset disposals	**(7,673)**	**(525)**	**(318)**	**—**	**(8,516)**
Total assets	**2,392,382**	**127,233**	**142,137**	**—**	**2,661,752**
Capital expenditures	**70,998**	**4,452**	**491**	**—**	**75,941**

Year ended December 31, 2020	Contract Drilling Services	Completion and Production Services	Corporate and Other	Inter-Segment Eliminations	Total
Revenue	$ 861,202	$ 77,251	$ —	$ (2,700)	$ 935,753
Operating earnings (loss)	22,207	(3,671)	(59,524)	—	(40,988)
Depreciation and amortization	288,389	16,375	11,558	—	316,322
Gain on asset disposals	(10,171)	(1,447)	(313)	—	(11,931)
Total assets	2,571,397	132,771	194,710	—	2,898,878
Capital expenditures	57,741	3,362	489	—	61,592

A reconciliation of operating loss to net loss is as follows:

	2021	2020
Operating earnings (loss)	**$ (81,038)**	$ (40,988)
Deduct:		

Foreign exchange	**393**	4,542
Finance charges	**91,431**	107,468
Loss on investments and other assets	**400**	—
Loss (gain) on redemption and repurchase of unsecured senior notes	**9,520**	(43,814)
Income taxes	**(5,396)**	10,954
Net loss	**$ (177,386)**	$ (120,138)

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

Year ended December 31, 2021	United States	Canada	International	Total
Revenue	**$ 398,024**	**$ 443,772**	**$ 145,051**	**$ 986,847**
Total assets	**1,247,173**	**959,163**	**455,416**	**2,661,752**

Year ended December 31, 2020	United States	Canada	International	Total
Revenue	$ 444,052	$ 305,613	$ 186,088	$ 935,753
Total assets	1,339,945	1,053,921	505,012	2,898,878

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	2021	2020
Cost	**$ 6,503,721**	$ 6,563,206
Accumulated depreciation	**(4,245,330)**	(4,090,523)
	$ 2,258,391	$ 2,472,683
Rig equipment	**2,074,185**	2,269,794
Rental equipment	**20,597**	27,359
Other equipment	**17,088**	27,318
Vehicles	**3,204**	4,978
Buildings	**44,009**	49,451
Assets under construction	**67,884**	60,572
Land	**31,424**	33,211
	$ 2,258,391	$ 2,472,683

Cost

	Rig Equipment	Rental Equipment	Other Equipment	Vehicles	Buildings	Assets Under Construction	Land	Total
Balance, December 31, 2019	$6,109,383	$ 110,307	$ 185,319	$ 38,506	$126,177	$ 67,740	$33,547	$6,670,979
Additions	10,375	—	350	—	—	50,810	—	61,535
Disposals	(78,028)	(4,664)	(3,990)	(2,789)	(3,053)	—	—	(92,524)
Reclassifications	55,322	—	521	—	—	(55,843)	—	—
Effect of foreign currency exchange differences	(71,285)	(619)	(1,196)	(367)	(846)	(2,135)	(336)	(76,784)
Balance, December 31, 2020	6,025,767	105,024	181,004	35,350	122,278	60,572	33,211	6,563,206
Additions	15,288	—	254	—	—	60,399	—	75,941
Disposals	(100,004)	(1,822)	(2,300)	(543)	(2,454)	—	(1,674)	(108,797)
Reclassifications	47,080	—	188	—	—	(47,268)	—	—
Effect of foreign currency exchange differences	(19,815)	(21)	(429)	(127)	(305)	(5,819)	(113)	(26,629)
Balance, December 31, 2021	**$5,968,316**	**$ 103,181**	**$ 178,717**	**$ 34,680**	**$119,519**	**$ 67,884**	**$31,424**	**$6,503,721**

Accumulated Depreciation

	Rig Equipment	Rental Equipment	Other Equipment	Vehicles	Buildings	Assets Under Construction	Land	Total
Balance, December 31, 2019	$3,598,878	$ 75,870	$ 146,715	$ 30,710	$ 69,343	$ —	$ —	$3,921,516
Depreciation expense	277,799	7,044	12,013	2,790	5,288	—	—	304,934
Disposals	(73,354)	(4,631)	(3,990)	(2,782)	(1,319)	—	—	(86,076)
Effect of foreign currency exchange differences	(47,350)	(618)	(1,052)	(346)	(485)	—	—	(49,851)
Balance, December 31, 2020	3,755,973	77,665	153,686	30,372	72,827	—	—	4,090,523
Depreciation expense	248,564	6,741	10,410	1,739	4,582	—	—	272,036
Disposals	(95,977)	(1,804)	(2,194)	(543)	(1,769)	—	—	(102,287)
Effect of foreign currency exchange differences	(14,429)	(18)	(273)	(92)	(130)	—	—	(14,942)
Balance, December 31, 2021	**$3,894,131**	**$ 82,584**	**$ 161,629**	**$ 31,476**	**$ 75,510**	**$ —**	**$ —**	**$4,245,330**

(a) Impairment Test

Precision reviews the carrying value of its long-lived assets for indications of impairment at the end of each reporting period. At December 31, 2021, Precision reviewed each of its cash-generating units and did not identify indications of impairment, or reversal of impairment and therefore, did not test its CGUs for impairment.

(b) Asset Disposals

Through the completion of normal course business operations, the Corporation sold used assets incurring gains or losses on disposal resulting in a net gain on asset disposal of $9 million (2020 – $12 million).

During 2021, Precision sold its directional drilling business to Cathedral Energy Services Ltd. (**Cathedral**), along with $3 million of cash to support Cathedral's further growth and expansion, for a purchase price of $6 million, resulting in a gain on disposal of $1 million. The directional drilling business was previously contained within the Contract Drilling Services segment.

The purchase price was satisfied through the issuance of 13,400,000 Cathedral common shares, along with warrants to purchase an additional 2,000,000

Cathedral common shares at a price of $0.60 per common share within a two-year period. In addition to the statutory hold period, the parties agreed to resale restrictions on the common share consideration that limits the timing and quantities of common shares Precision can sell over a two-year period. The Cathedral common shares and share purchase warrants held by Precision are presented as long-term investments and other assets and will be revalued at each reporting period using Level I and II inputs, respectively.

NOTE 8. INTANGIBLES

		2021		2020
Cost	**$**	**55,108**	$	54,189
Accumulated amortization		**(31,193)**		(26,523)
	$	**23,915**	$	27,666
Loan commitment fees related to Senior Credit Facility	**$**	**2,067**	$	2,109
Software		**21,848**		25,557
	$	**23,915**	$	27,666

Cost

	Loan Commitment Fees	Software	Total
Balance, December 31, 2019	$ 15,478	$ 37,938	$ 53,416
Additions	690	57	747
Effect of foreign currency exchange differences	—	26	26
Balance, December 31, 2020	16,168	38,021	54,189
Additions	913	—	913
Effect of foreign currency exchange differences	—	6	6
Balance, December 31, 2021	**$ 17,081**	**$ 38,027**	**$ 55,108**

Accumulated Amortization

	Loan Commitment Fees	Software	Total
Balance, December 31, 2019	$ 13,206	$ 8,464	$ 21,670
Amortization expense	853	3,971	4,824
Effect of foreign currency exchange differences	—	29	29
Balance, December 31, 2020	14,059	12,464	26,523
Amortization expense	955	3,715	4,670
Balance, December 31, 2021	**$ 15,014**	**$ 16,179**	**$ 31,193**

NOTE 9. LONG-TERM DEBT

	2021		2020		2021		2020
	U.S. Denominated Facilities				Canadian Facilities and Translated U.S. Facilities		
Current Portion of Long-Term Debt							
Canadian Real Estate Credit Facility	**US$**	**—**	US$	—	**$**	**1,333**	$ —
U.S. Real Estate Credit Facility		**704**		704		**890**	896
	US$	**704**	US$	**704**	**$**	**2,223**	**$ 896**
Long-Term Debt							
Senior Credit Facility	**US$**	**118,000**	US$	74,650	**$**	**149,206**	$ 95,041
Canadian Real Estate Credit Facility		**—**		—		**17,667**	—
U.S. Real Estate Credit Facility		**9,093**		9,797		**11,498**	12,474
Unsecured Senior Notes:							
7.75% senior notes due 2023		**—**		285,734		**—**	363,782
5.25% senior notes due 2024		**—**		263,205		**—**	335,099
7.125% senior notes due 2026		**347,765**		347,765		**439,735**	442,757
6.875% senior notes due 2029		**400,000**		—		**505,784**	—
	US$	**874,858**	US$	981,151		**1,123,890**	1,249,153
Less net unamortized debt issue costs						**(17,096)**	(12,943)
					$	**1,106,794**	$ 1,236,210

	Senior Credit Facility	Unsecured Senior Notes	Canadian Real Estate Credit Facility	U.S. Real Estate Credit Facility	Debt Issue Costs and Original Issue Discount	Total
Balance December 31, 2019	$ —	$1,445,127	$ —	$ —	$ (17,946)	$1,427,181
Changes from financing cash flows:						
Redemption / repurchase of unsecured senior notes	—	(240,793)	—	—	—	(240,793)
Repayment of long-term debt	(37,243)	—	—	(76)	—	(37,319)
Proceeds from Senior Credit Facility	137,255	—	—	—	—	137,255
Proceeds from Real Estate Credit Facility	—	—	—	13,811	—	13,811
Payment of debt issue costs	—	—	—	—	(354)	(354)
Non-cash changes:						
Gain on redemption / repurchase of unsecured senior notes	—	(43,814)	—	—	—	(43,814)
Amortization of debt issue costs	—	—	—	—	5,350	5,350
Foreign exchange adjustment	(4,971)	(18,882)	—	(365)	7	(24,211)
Balance December 31, 2020	$ 95,041	$1,141,638	$ —	$ 13,370	$ (12,943)	$1,237,106

Current	—	—	—	896	—	896
Long-term	95,041	1,141,638	—	12,474	(12,943)	1,236,210
Balance December 31, 2020	$ 95,041	$1,141,638	$ —	$ 13,370	$ (12,943)	$1,237,106
Changes from financing cash flows:						
Proceeds from unsecured senior notes	—	482,064	—	—	—	482,064
Proceeds from Senior Credit Facility	194,277	—	—	—	—	194,277
Proceeds from Real Estate Credit Facility	—	—	20,000	—	—	20,000
Repayment of unsecured senior notes	—	(676,058)	—	—	—	(676,058)
Repayment of Senior Credit Facility	(146,930)	—	—	—	—	(146,930)
Repayment of Real Estate Credit Facility	—	—	(1,000)	(883)	—	(1,883)
Payment of debt issue costs	—	—	—	—	(9,450)	(9,450)
Non-cash changes:						
Loss on redemption / repurchase of unsecured senior notes	—	9,520	—	—	—	9,520
Amortization of debt issue costs	—	—	—	—	8,720	8,720
Original issue discount	—	3,628	—	—	(3,427)	201
Foreign exchange adjustment	6,818	(15,273)	—	(99)	4	(8,550)
Balance December 31, 2021	**$ 149,206**	**$ 945,519**	**$ 19,000**	**$ 12,388**	**$ (17,096)**	**$1,109,017**
Current	—	—	1,333	890	—	2,223
Long-term	149,206	945,519	17,667	11,498	(17,096)	1,106,794
Balance December 31, 2021	**$ 149,206**	**$ 945,519**	**$ 19,000**	**$ 12,388**	**$ (17,096)**	**$1,109,017**

Precision's current and long-term debt obligations at December 31, 2021 will mature as follows:

2022	$ 2,223
2023	2,223
2024	2,223
2025	160,257
Thereafter	959,187
	$ 1,126,113

(a) Senior Credit Facility:

The senior secured revolving credit facility (**Senior Credit Facility**) provides Precision with senior secured financing for general corporate purposes, including for acquisitions, of up to US$500 million with a provision for an increase in the facility of up to an additional US$100 million. The Senior Credit Facility is secured by charges on substantially all of the present and future assets of Precision, its material U.S. and Canadian subsidiaries and, if necessary, to adhere to covenants under the Senior Credit Facility, certain subsidiaries organized in jurisdictions outside of Canada and the U.S. The Senior Credit Facility has a term of four years, with an annual option on Precision's part to request that the lenders extend, at their discretion, the facility to a new maturity date not to exceed five years from the date of the extension request.

The Senior Credit Facility requires that Precision comply with certain restrictive and financial covenants including a leverage ratio of consolidated senior debt to consolidated Covenant EBITDA (as defined in the debt agreement) of less than 2.5:1. For purposes of calculating the leverage ratio consolidated senior debt only includes secured indebtedness. It also requires the Corporation to maintain a ratio of consolidated Covenant EBITDA to consolidated interest expense for the most recent four consecutive quarters, of greater than 2.5:1, subject to the amendments noted below.

Distributions under the Senior Credit Facility are subject to a pro-forma senior net leverage covenant of less than or equal to 1.75:1. The Senior Credit Facility also limits the redemption and repurchase of junior debt subject to a pro-forma senior net leverage covenant test of less than or equal to 1.75:1.

On April 9, 2020 Precision agreed with the lenders of its Senior Credit Facility to certain covenants during the Covenant Relief Period. On June 18, 2021, Precision agreed with the lenders of its Senior Credit Facility to extend the facility's maturity date and extend and amend certain financial covenants during the Covenant Relief Period. The maturity date of the Senior Credit Facility was extended to June 18, 2025, however, US$53 million of the US$500 million will expire on November 21, 2023.

The lenders agreed to extend the Covenant Relief Period to September 30, 2022 and amended the consolidated Covenant EBITDA to consolidated interest coverage ratio for the most recent four consecutive quarters to be greater than or equal to 2.0:1, for the periods ending December 31, 2021 and March 31, 2022, 2.25:1 for the periods ending June 30, 2022 and September 30, 2022 and 2.5:1 for periods ending thereafter.

During the Covenant Relief Period, Precision's distributions in the form of dividends, distributions and share repurchases are restricted to a maximum of US$25 million in each of 2021 and 2022, subject to a pro forma senior net leverage ratio (as defined in the credit agreement) of less than or equal to 1.75:1.

In addition, during 2021, the North American and acceptable secured foreign assets must directly account for at least 65% of consolidated Covenant EBITDA calculated quarterly on a rolling twelve-month basis, increasing to 70% thereafter. Precision also has the option to voluntarily terminate the covenant relief period prior to its March 31, 2022 end date.

Under the Senior Credit Facility, amounts can be drawn in U.S. dollars and/or Canadian dollars. At December 31, 2021, US$18 million was drawn under this facility (2020 – US$75 million). Up to US$200 million of the Senior Credit Facility is available for letters of credit denominated in U.S and/or Canadian dollars and other currencies acceptable to the fronting lender. As at December 31, 2021 outstanding letters of credit amounted to US$33 million (2020 – US$32 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 Canadian Dollar Offered Rate (**CDOR**); such margins will be based on the then applicable ratio of consolidated total debt to EBITDA.

(b) Real Estate Credit Facility

In March 2021, Precision established a Canadian Real Estate Credit Facility in the amount of $20 million. The facility matures in March 2026 and is secured by real properties in Alberta, Canada. Principal plus interest payments are due quarterly, based on 15-year straight-line amortization with any unpaid principal and accrued interest due at maturity. Interest is calculated using a CDOR rate plus margin.

In November 2020, Precision established a Real Estate Term Credit Facility in the amount of US$11 million. The facility matures in November 2025 and is secured by real property located in Houston, Texas. Principal plus interest payments are due monthly, based on 15-year straight-line amortization with any unpaid principal and accrued interest due at maturity. Interest is calculated using a LIBOR rate plus margin.

The Real Estate Credit Facilities contain certain affirmative and negative covenants and events of default, customary for these types of transactions. Under

the terms of these facilities, Precision must maintain financial covenants in accordance with the Senior Credit Facility, described above, as of the last day of each period of four consecutive fiscal quarters. For the Canadian Real Estate Credit Facility, in the event the Senior Credit Facility expires, is cancelled or is terminated, financial covenants in effect at that time shall remain in place for the remaining duration of the facility. For the U.S. Real Estate Credit Facility, in the event the consolidated Covenant EBITDA to consolidated interest expense coverage ratio is waived or removed from the Senior Credit Facility, a minimum threshold of 1.15:1 is required.

(c) Unsecured Senior Notes:

Precision has outstanding the following unsecured senior notes:

7.125% US$ senior notes due 2026

These unsecured senior notes bear interest at a fixed rate of 7.125% per annum and mature on January 15, 2026. Interest is payable semi-annually on January 15 and July 15 of each year, commencing July 15, 2018.

Precision may redeem these notes in whole or in part at any time before November 15, 2023, at redemption prices ranging between 105.344% and 101.781% of their principal amount plus accrued interest. Any time on or after November 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.

6.875% US$ senior notes due 2029

These unsecured senior notes bear interest at a fixed rate of 6.875% per annum and mature on January 15, 2029. Interest is payable semi-annually on January 15 and July 15 of each year, commencing January 15, 2022.

Prior to June 15, 2024, Precision may redeem up to 35% of the 6.875% unsecured senior notes due 2029 with the net proceeds of certain equity offerings at a redemption price equal to 106.875% of the principal amount plus accrued interest. Prior to January 15, 2025, 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 January 15, 2025 redemption price plus required interest payments through January 15, 2025 (calculated using the U.S. Treasury rate plus 50 basis points) over the principal amount of the note. As well, Precision may redeem these notes in whole or in part at any time on or after January 15, 2025 and before January 15, 2027, at redemption prices ranging between 103.438% and 101.719% of their principal amount plus accrued interest. Any time on or after January 15, 2027, these notes can be redeemed for their principal amount plus accrued interest. Upon specified change of control events, each holder of a note will have the right to sell to Precision all or a portion of its notes at a purchase price in cash equal to 101% of the principal amount, plus accrued interest to the date of purchase.

The unsecured senior notes require Precision to comply with certain restrictive and financial covenants including an incurrence based test of Consolidated Interest Coverage Ratio, as defined in the senior note agreements, of greater than or equal to 2.0:1 for the most recent four consecutive fiscal quarters. In the event the Consolidated Interest Coverage Ratio is less than 2.0:1 for the most recent four consecutive fiscal quarters the senior notes restrict Precision's ability to incur additional indebtedness.

The unsecured senior notes also contain a restricted payments covenant that limits Precision's ability to make payments in the nature of dividends, distributions and for repurchases from shareholders. This restricted payments basket grows by, among other things, 50% of cumulative consolidated net earnings, and decreases by 100% of cumulative consolidated net losses as defined in the note agreements, and cumulative payments made to shareholders. At December 31, 2021, the governing net restricted payments basket was negative $369 million (2020 – negative $307 million), therefore limiting us from making any further dividend payments or share repurchases until the governing restricted payments basket once again becomes positive. During 2021, pursuant to the indentures governing the unsecured senior notes, Precision used the available general restricted payments basket to facilitate the repurchase and cancellation of its common shares.

On June 15, 2021, Precision issued US$400 million of 6.875% unsecured senior notes due in 2029 in a private offering. These unsecured senior notes were issued at a price equal to 99.253% of the face value, resulting in a US$3 million original issue discount. The original issue discount will be amortized over the life of the notes using the effective interest rate method.

The net proceeds from the issuance along with amounts drawn on the Senior Credit Facility were used to redeem in full US$386 million aggregate principal amount of the 7.750% unsecured senior notes due 2023 and redeem in full US$263 million aggregate principal amount of the 5.250% unsecured senior notes due 2024 for US$557 million plus accrued and unpaid interest resulting in a loss on redemption of US$8 million. The redemption of the unsecured senior notes occurred on June 16, 2021 and interest ceased to accrue on the notes on that date.

Precision's unsecured senior notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by all U.S. and Canadian subsidiaries that guaranteed the Senior Credit Facility (**Guarantor Subsidiaries**). These Guarantor Subsidiaries are directly or indirectly 100% owned by the parent company. Separate financial statements for each of the Guarantor Subsidiaries have not been provided; instead, the Corporation has included in Note 27 summarized financial information and expanded qualitative non-financial disclosures based on Rule 3-10 of the U.S. Securities and Exchange Commission's Regulation S-X.

(d) Covenants:

At December 31, 2021, Precision was in compliance with the covenants of the Senior Credit Facility, Real Estate Credit Facilities and unsecured senior notes.

	Covenant	At December 31, 2021
Senior Credit Facility		
Consolidated senior debt to consolidated covenant EBITDA[1]	≤ 2.50	0.97
Consolidated covenant EBITDA to consolidated interest expense	≥ 2.00	2.83
Real Estate Credit Facility		
Consolidated covenant EBITDA to consolidated interest expense	≥ 2.00	2.83
Unsecured Senior Notes		
Consolidated interest coverage ratio	≥ 2.00	2.06

(1) For purposes of calculating the leverage ratio consolidated senior debt only includes secured indebtedness.

NOTE 10. RESTRUCTURING AND OTHER

In response to the economic slowdown caused by COVID-19, governments enacted various employer assistance and economic stimulus programs. In the second quarter of 2020, the Government of Canada introduced the Canadian Emergency Wage Subsidy program. For the year ended December 31, 2021, Precision recognized $24 million (2020 – $26 million) of salary and wage subsidies. Wage subsidies were presented as reductions of operating and general and administrative expense of $21 million (2020 – $21 million) and $3 million (2020 – $5 million), respectively.

For the period ended December 31, 2020, the Corporation incurred restructuring charges of $18 million. These charges were comprised of severance, as the

Corporation aligned its cost structure to reflect reduced global activity, and certain costs associated with the shutdown of its directional drilling operations in the United States. Precision did not recognize any restructuring costs in 2021.

NOTE 11. FINANCE CHARGES

	2021	2020
Interest:		
Long-term debt	**$ 78,921**	$ 98,555
Lease obligations	**2,764**	3,217
Other	**80**	232
Income	**(210)**	(739)
Amortization of debt issue costs	**9,876**	6,203
Finance charges	**$ 91,431**	$ 107,468

NOTE 12. LEASES

(a) As a lessee

Precision recognizes right-of-use assets primarily from its leases of real estate and vehicles and equipment.

	Real Estate	Vehicles and Equipment	Total
Balance, December 31, 2019	$ 54,026	$ 12,116	$ 66,142
Additions	136	3,031	3,167
Derecognition	—	(2,597)	(2,597)
Depreciation	(3,900)	(3,517)	(7,417)
Lease remeasurements	(6,233)	2,602	(3,631)
Effect of foreign currency exchange differences	(340)	(156)	(496)
Balance, December 31, 2020	$ 43,689	$ 11,479	$ 55,168
Additions	514	3,029	3,543
Derecognition	—	(480)	(480)
Depreciation	(3,566)	(3,009)	(6,575)
Effect of foreign currency exchange differences	(174)	(42)	(216)
Balance, December 31, 2021	**$ 40,463**	**$ 10,977**	**$ 51,440**

Precision's real estate lease contracts often contain renewal options which may impact the determination of the lease term for purposes of calculating the lease obligation. If it is reasonably certain that a renewal option will be exercised, the renewal period is included in the lease term. When entering a lease, Precision assesses whether it is reasonably certain renewal options will be

exercised. Reasonable certainty is established if all relevant facts and circumstances indicate an economic incentive to exercise the renewal option. For the majority of its real estate leases, Precision is reasonably certain it will exercise its renewal option. Accordingly, the renewal period has been included in the lease term used to calculate the lease obligation.

For the period ended December 31, 2021, Precision had total cash outflows of $9 million (2020 – $9 million) in relation to its lease obligations.

The Corporation has commitments under various lease agreements, primarily for real estate and vehicles and equipment. Terms of Precision's real estate leases run for a period of one to 10 years while vehicle and equipment leases are typically for terms of between three and four years. Expected non-cancellable undiscounted operating lease payments are as follows:

	2021	2020
Less than one year	**$ 10,782**	$ 10,960
One to five years	**29,327**	29,630
More than five years	**2,391**	6,590
	$ 42,500	$ 47,180

(b) As a lessor

Precision leases its rig equipment under long-term drilling contracts with terms ranging fromone to five years. At December 31, 2021, the net book value of the underlying rig equipment subject to long-term drilling contracts was $503 million (2020 – $477 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received subsequent to December 31, 2021.

Less than one year	$ 198,188
One to five years	61,860
	$ 260,048

NOTE 13. SHARE-BASED COMPENSATION PLANS

Precision's omnibus equity incentive plan (**Omnibus Plan**) allows the Corporation to settle short-term incentive awards (annual bonus) and long-term incentive awards (share options, performance share units and restricted share units) issued on or after February 8, 2017 in voting shares of Precision (either issued from treasury or purchased in the open market), cash, or a combination of both. Precision intends to settle all short-term incentive, restricted share unit and performance share unit awards issued under the Omnibus Plan in cash and to settle options in voting shares.

Liability Classified Plans

	Restricted Share Units	Performance Share Units	Executive Performance Share Units	Non-Management Directors' DSUs	Total
Balance, December 31, 2019	$ 7,318	$ 2,858	$ —	$ 3,336	$ 13,512
Expensed during the period	3,119	2,787	—	(1,551)	4,355

Reclassification from equity-settled plans	—	—	6,833	—	6,833
Payments	(3,813)	(894)	—	(176)	(4,883)
Balance, December 31, 2020	6,624	4,751	6,833	1,609	19,817
Expensed during the period	17,168	18,634	17,646	3,065	56,513
Reclassification from equity-settled plans	—	—	(3,164)	—	(3,164)
Payments	(5,742)	(1,861)	(4,808)	—	(12,411)
Balance, December 31, 2021	**$ 18,050**	**$ 21,524**	**$ 16,507**	**$ 4,674**	**$ 60,755**
Current	11,338	6,182	16,507	—	34,027
Long-term	6,712	15,342	—	4,674	26,728
Balance, December 31, 2021	**$ 18,050**	**$ 21,524**	**$ 16,507**	**$ 4,674**	**$ 60,755**

(a) Restricted Share Units and Performance Share Units

Precision has various 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, 2019	316,904	166,768
Granted	363,253	502,558
Redeemed	(127,884)	(39,028)
Forfeited	(67,491)	(64,919)
December 31, 2020	484,782	565,379
Granted	356,928	488,510
Redeemed	(216,820)	(40,515)
Forfeited	(26,734)	(29,640)
December 31, 2021	**598,156**	**983,734**

(b) Executive Performance Share Units

Precision grants Executive PSUs to certain senior executives. Executive PSUs vest over athree-year period and incorporate performance criteria established at the date of grant that can adjust the number of performance share units available for settlement from zero to two times the amount originally granted.

A summary of the activity under this share-based incentive plan is presented below:

Executive Performance Share Units	Outstanding
December 31, 2019	368,845
Redeemed	(57,442)
Forfeited	(22,696)
December 31, 2020	288,707
Redeemed	(96,355)
Forfeited	(2,388)
December 31, 2021	**189,964**

Included in net loss for the year ended December 31, 2021 is an expense of $18 million (2020 – $15 million). Subsequent to December 31, 2021, Precision settled 131,950 vesting Executive PSUs in 263,900 common shares.

(c) Non-Management Directors

Precision has a deferred share unit (**DSU**) plan for non-management directors whereby fully vested DSUs are granted quarterly based on an election by the non-management director to receive all or a portion of his or her compensation in DSUs. These DSUs are redeemable in cash or for an equal number of common shares upon the director's retirement. The redemption of DSUs in cash or common shares is solely at Precision's discretion. Non-management directors can receive a lump sum payment or two separate payments any time up until December 15 of the year following retirement. If the non-management director does not specify a redemption date, the DSUs will be redeemed on a single date six months after retirement. The cash settlement amount is based on the weighted average trading price for Precision's shares on the Toronto Stock Exchange for the five days immediately prior to payout.

A summary of the DSUs outstanding under this share-based incentive plan is presented below:

Deferred Share Units	Outstanding
Balance December 31, 2019	89,613
Redeemed	(12,039)
Balance December 31, 2020	77,574
Granted	27,017
Balance December 31, 2021	**104,591**

Equity Settled Plans

(d) Option Plan

Under this plan, the exercise price of each option equals the fair market value of the option at the date of grant determined by the weighted average trading price for the five days preceding the grant. The options are denominated in either Canadian or

U.S. dollars, and vest over a period ofthree 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, 2019	201,079	$ 87.00 – 286.20	145.88	178,453
Forfeited	(52,414)	87.00 – 203.00	165.79	
December 31, 2020	148,665	87.00 – 286.20	138.86	141,156
Forfeited	(33,060)	89.20 – 286.20	193.10	
December 31, 2021	**115,605**	**$ 87.00 – 146.40**	**$ 123.35**	**115,605**

U.S. Share Options	Options Outstanding	Range of Exercise Prices (US$)	Weighted Average Exercise Price (US$)	Options Exercisable
December 31, 2019	318,153	$ 51.20 – 183.60	$ 93.32	217,441
Forfeited	(34,360)	64.20 – 183.60	151.92	
December 31, 2020	283,793	51.20 – 183.60	86.23	239,521
Forfeited	(15,950)	183.60 – 183.60	183.60	
December 31, 2021	**267,843**	**$ 51.20 – 115.80**	**$ 80.43**	**257,854**

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
$ 87.00 – 117.59	45,590	$ 88.11	2.14	45,590	$ 88.11
117.60 – 146.19	17,035	145.97	2.13	17,035	145.97
146.20 – 146.40	52,980	146.40	0.11	52,980	146.40
$ 87.00 – 146.40	**115,605**	**$ 123.35**	**1.21**	**115,605**	**$ 123.35**

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$)
$ 51.20 – 66.50	103,035	$ 60.42	2.02	93,046	$ 61.41
66.51 – 105.94	78,323	70.69	3.05	78,323	70.69
105.95 – 115.80	86,485	113.08	1.38	86,485	113.08
$ 51.20 – 115.80	**267,843**	**$ 80.43**	**2.11**	**257,854**	**$ 81.56**

No options were granted during 2021 and 2020. Included in net loss for the year ended December 31, 2021 is an expense of $2 million (2020 – $1 million).

(e) Non-Management Directors

Prior to January 1, 2012, Precision had a deferred share unit plan fornon-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, 2019	4,659
Redeemed	(3,189)
December 31, 2020 and 2021	**1,470**

NOTE 14. INCOME TAXES

The provision for income taxes differs from that which would be expected by applying statutory Canadian income tax rates.

A reconciliation of the difference for the years ended December 31, is as follows:

		2021		2020
Loss before income taxes	**$**	**(182,782)**	$	(109,184)
Federal and provincial statutory rates		**24%**		25%
Tax at statutory rates	**$**	**(43,868)**	$	(27,296)
Adjusted for the effect of:				
Non-deductible expenses		**1,162**		628
Non-taxable capital gains		**(257)**		(6,184)
Impact of foreign tax rates		**(1,474)**		(238)
Withholding taxes		**937**		813
Taxes related to prior years		**(1,467)**		(1,531)
Tax assets not recognized		**37,924**		44,112
Other		**1,647**		650
Income tax expense (recovery)	**$**	**(5,396)**	$	10,954

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

		2021		2020
Deferred tax liability:				
Property, plant and equipment and intangibles	**$**	**359,383**	$	393,631
Debt issue costs		**1,457**		2,665
Partnership deferrals		**11,082**		2,532

Other		**6,221**		6,322
		378,143		405,150
Offsetting of assets and liabilities		**(365,924)**		(383,914)
	$	**12,219**	$	21,236
Deferred tax assets:				
Losses (expire from time to time up to 2041)	**$**	**340,406**	$	370,439
Long-term incentive plan		**14,264**		4,956
Other		**12,121**		9,617
		366,791		385,012
Offsetting of assets and liabilities		**(365,924)**		(383,914)
	$	**867**	$	1,098
Net deferred tax liability	**$**	**11,352**	$	20,138

Included in the deferred tax assets at December 31, 2021 was $1 million (2020 – $1 million) of tax-effected temporary differences related to the Corporation's international operations.

The Corporation has loss carry forwards in the U.S. and certain international locations and capital loss carry forwards in Canada and other deductible temporary differences in certain international locations for which it is unlikely that sufficient future taxable income will be available. Accordingly, the Corporation has not recognized a deferred tax asset for the following items:

		2021		2020
Tax losses (Capital)	**$**	**29,363**	$	29,809
Tax losses (Income)		**96,671**		72,516
Deductible temporary differences		**4,153**		2,020
Total	**$**	**130,187**	$	104,345

The movement in temporary differences is as follows:

	Property, Plant and Equipment and Intangibles	Partnership Deferrals	Other Deferred Tax Liabilities	Losses	Debt Issue Costs	Long-Term Incentive Plan	Other Deferred Tax Assets	Net Deferred Tax Liability
Balance, December 31, 2019	$ 426,934	$ 850	$ 7,926	$ (402,025)	$ 3,280	$ (6,131)	$ (10,169)	$ 20,665
Recognized in net earnings (loss)	(28,600)	1,682	(1,601)	33,141	(615)	1,120	537	5,664
Recognized in other comprehensive income	—	—	—	(5,398)	—	—	—	(5,398)
Effect of foreign currency exchange differences	(4,703)	—	(3)	3,843	—	55	15	(793)
Balance, December 31, 2020	$ 393,631	$ 2,532	$ 6,322	$ (370,439)	$ 2,665	$ (4,956)	$ (9,617)	$ 20,138
Recognized in net earnings (loss)	(32,562)	8,550	(99)	28,528	(1,208)	(9,291)	(2,517)	(8,599)
Effect of foreign currency exchange differences	(1,686)	—	(2)	1,505	—	(17)	13	(187)
Balance, December 31, 2021	**$ 359,383**	**$ 11,082**	**$ 6,221**	**$ (340,406)**	**$ 1,457**	**$ (14,264)**	**$ (12,121)**	**$ 11,352**

NOTE 15. BANK INDEBTEDNESS

At December 31, 2021, Precision had available $40 million (2020 – $40 million) and US$15 million (2020 – US$15 million) under secured operating facilities, and a secured US$30 million (2020 – US$30 million) facility for the issuance of letters of credit and performance and bid bonds to support international operations. As at December 31, 2021 and 2020, no amounts had been drawn on any of the facilities. Availability of the $40 million and US$30 million facility was reduced by outstanding letters of credit in the amount of $7 million (2020 – $7 million) and US$3 million (2020 – US$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 million facility are available at the bank's prime lending rate, U.S. base rate, U.S. LIBOR rate plus applicable margin, or applicable margin for Banker's Acceptances, or in combination, and under the US$15 million facility at the bank's prime lending rate.

NOTE 16. PROVISIONS AND OTHER

	Workers' Compensation
Balance December 31, 2019	$ 11,866
Recovered during the year	(750)
Payment of deductibles and uninsured claims	(2,698)
Effects of foreign currency exchange differences	(110)
Balance December 31, 2020	8,308
Expensed during the year	3,296
Payment of deductibles and uninsured claims	(2,815)
Effects of foreign currency exchange differences	(71)
Balance December 31, 2021	**$ 8,718**

		2021		2020
Current	**$**	**2,205**	$	745
Long-term		**6,513**		7,563
	$	**8,718**	$	8,308

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 statement of financial position 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. The current portion of the provision is presented within accounts payables and accrued liabilities.

NOTE 17. 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, 2019	13,864,990	$ 2,296,378
Share repurchase	(420,588)	(11,317)
Share issuance on redemption of non-management DSUs	15,228	677
Share consolidation adjustment	(37)	—
Balance, December 31, 2020	13,459,593	$ 2,285,738
Share repurchase	(155,168)	(4,294)
Balance, December 31, 2021	**13,304,425**	**$ 2,281,444**

(c) Normal Course Issuer Bid

In 2019, the Toronto Stock Exchange (TSX) approved Precision's application to implement a Normal Course Issuer Bid (NCIB). During the third quarter of 2021, the TSX approved Precision's application to renew the NCIB. Under the terms of the NCIB, Precision may purchase and cancel up to a maximum of 1,317,158 common shares, representing 10% of the public float of common shares as of August 13, 2021. Purchases under the NCIB were made through the facilities of the TSX, the New York Stock Exchange and various other designated exchanges in accordance with applicable regulatory requirements at a price per common share representative of the market price at the time of acquisition. The NCIB will terminate no later than August 26, 2022. For the year ended December 31, 2021, Precision repurchased and cancelled a total of 155,168 (2020 – 420,588) common shares for $4 million (2020 – $11 million).

(d) Share Consolidation

On November 12, 2020, Precision Drilling Corporation completed a20:1 consolidation of its common shares. No fractional shares were issued pursuant to the share consolidation. In lieu of any such fractional shares, each registered shareholder otherwise entitled to a fractional share following the implementation of the share consolidation received the nearest whole number of post-consolidation shares, resulting in a share consolidation adjustment of 37 common shares.

NOTE 18. PER SHARE AMOUNTS

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

	2021	2020
Net loss – basic and diluted	**$ (177,386)**	$ (120,138)

(Stated in thousands)	2021	2020
Weighted average shares outstanding – basic	**13,315**	13,722
Effect of share option and other equity compensation plans	**—**	—
Weighted average shares outstanding – diluted	**13,315**	13,722

NOTE 19. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Unrealized Foreign Currency Translation Gains (Losses)	Foreign Exchange Gain (Loss) on Net Investment Hedge	Tax Benefit Related to Net Investment Hedge of Long-Term Debt	Accumulated Other Comprehensive Income
December 31, 2019	$ 509,582	$ (375,327)	$ —	$ 134,255
Other comprehensive income (loss)	(25,925)	23,853	5,398	3,326
December 31, 2020	483,657	(351,474)	5,398	137,581
Other comprehensive income (loss)	(11,256)	8,455	—	(2,801)
December 31, 2021	**$ 472,401**	**$ (343,019)**	**$ 5,398**	**$ 134,780**

NOTE 20. EMPLOYEE BENEFIT PLANS

The Corporation has a defined contribution pension plan covering a significant number of its employees. Under this plan, the Corporation matched individual contributions up to 3% (2020 – 2%) of the employee's eligible compensation. Total expense under the defined contribution plan in 2021 was $6 million (2020 – $6 million).

NOTE 21. RELATED PARTY TRANSACTIONS

Compensation of Key Management Personnel

The remuneration of key management personnel is as follows:

	2021	2020
Salaries and other benefits	**$ 6,591**	$ 10,031
Equity-settled share-based compensation	**5,554**	9,148
Cash-settled share-based compensation	**18,741**	419
	$ 30,886	$ 19,598

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 22. CAPITAL COMMITMENTS

At December 31, 2021, the Corporation had commitments to purchase property, plant and equipment totaling $137 million (2020 – $113 million). Payments of $42 million for these commitments are expected to be made in 2022, $60 million in 2023 and $35 million in 2024.

NOTE 23. 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 natural gas industry. The Corporation manages credit risk by assessing the creditworthiness of its customers before providing services and on an ongoing basis, and by monitoring the amount and age of balances outstanding. In some instances, the Corporation will take additional measures to reduce credit risk including obtaining letters of credit and prepayments from customers. When indicators of credit problems appear, the Corporation takes appropriate steps to reduce its exposure including negotiating with the customer, filing liens and entering into litigation. For the year ended December 31, 2021, revenue from transactions with one of Precision's contract drilling customers exceeded 10% of consolidated revenue. Revenue from this customer accounted for 10% (2020 – $12%) of consolidated revenue. No other customers exceeded 10% of consolidated revenue for the year. In addition, Precision's most significant customer accounted for $16 million of the trade receivables amount at December 31, 2021 (2020 – $11 million).

The movement in the expected credit loss allowance during the year was as follows:

		2021		2020
Balance, January 1,	**$**	**862**	$	929
Impairment loss recognized		**29**		812
Amounts written-off as uncollectible		**(70)**		(479)
Impairment loss reversed		**(231)**		(396)
Effect of movement in exchange rates		**(5)**		(4)
Balance, December 31,	**$**	**585**	$	862

The ageing of trade receivables at December 31 was as follows:

	2021		2020	
	Gross	**Provision for Impairment**	Gross	Provision for Impairment
Not past due	**$ 117,618**	**$ 1**	$ 66,191	$ 1
Past due 0 – 30 days	**27,235**	**5**	35,060	8
Past due 31 – 120 days	**8,524**	**474**	11,649	26
Past due more than 120 days	**105**	**105**	1,895	827
	$ 153,482	**$ 585**	**$ 114,795**	**$ 862**

(b) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Precision had exposure to interest rate fluctuations on amounts drawn on its Senior Credit Facility and Real Estate Credit Facility as they are subject to floating rates of interest. At December 31, 2021, Precision had drawn US$118 million on its Senior Credit Facility (2020 – US$75 million) and $31 million (2020 – $13 million) on its Real Estate Credit Facilities. As at December 31, 2021, a 1% change to the interest rate would have a $2 million impact on net loss (2020 – $1 million).

The interest rate on Precision's unsecured senior notes is fixed and is not subject to interest rate risk.

(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:

	2021		2020	
	Canadian Operations	**Foreign Operations**	Canadian Operations	Foreign Operations
Cash	**US $ 2,398**	**US $ 17,382**	US $ 35,257	US $ 26,057
Accounts receivable	**14**	**115,614**	—	98,298
Accounts payable and accrued liabilities	**(29,427)**	**(81,971)**	(18,727)	(59,704)
Long-term liabilities, excluding long-term incentive plans [1]	**—**	**(14,781)**	—	(16,197)
Net foreign currency exposure	**US $ (27,015)**	**US $ 36,244**	US $ 16,530	US $ 48,454
Impact of $0.01 change in the U.S. dollar to Canadian dollar exchange rate on net earnings (loss)	**$ (270)**	**$ —**	$ 165	$ —
Impact of $0.01 change in the U.S. dollar to Canadian dollar exchange rate on comprehensive loss	**$ —**	**$ 362**	$ —	$ 485

(1) Excludes U.S. dollar long-term debt that has been designated as a hedge of the Corporation's net investment in certain self-sustaining foreign operations.

(d) Liquidity Risk

Liquidity risk is the exposure of the Corporation to the risk of not being able to meet its financial obligations as they become due. The Corporation manages liquidity risk by monitoring and reviewing actual and forecasted cash flows to ensure there are available cash resources to meet these needs. The following are the contractual maturities of the Corporation's financial liabilities and other contractual commitments as at December 31, 2021:

	2022	2023	2024	2025	2026	Thereafter	Total
Accounts payable and accrued liabilities	$ 224,123	$ —	$ —	$ —	$ —	$ —	$ 224,123
Share-based compensation	18,414	24,331	24,742	—	—	—	67,487
Long-term debt	2,223	2,223	2,223	160,257	453,403	505,784	1,126,113
Interest on long-term debt [1]	72,147	72,071	71,996	69,433	36,196	70,995	392,838
Commitments	53,030	69,631	44,068	5,688	4,823	2,391	179,631
Total	$ 369,937	$ 168,256	$ 143,029	$ 235,378	$ 494,422	$ 579,170	$ 1,990,192

(1) 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. Amounts drawn on the Senior Credit Facility and Real Estate Credit Facilities, measured at amortized cost, approximate fair value as this indebtedness is subject to floating rates of interest. The fair value of the unsecured senior notes at December 31, 2021 was approximately $969 million (2020 – $1,023 million).

Financial assets and liabilities recorded or disclosed at fair value in the consolidated statements of financial position are categorized based on the level of judgement 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 24. 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, 2021 and 2020, these ratios were as follows:

		2021		2020
Long-term debt	**$**	**1,106,794**	$	1,236,210
Shareholders' equity		**1,225,555**		1,406,640
Total capitalization	**$**	**2,332,349**	$	2,642,850
Long-term debt to long-term debt plus equity ratio		**0.47**		0.47

As at December 31, 2021, liquidity remained sufficient as Precision had $41 million (2020 – $109 million) in cash and access to the US$500 million Senior Credit Facility (2020 – US$500 million) and $97 million (2020 – $97 million) secured operating facilities. As at December 31, 2021, US$118 million (2020 – US$75 million) was drawn on the Senior Credit Facility with available credit further reduced by US$3 million (2020 – US$32 million) in outstanding letters of credit. Availability of the $40 million secured operating facility and US$30 million secured facility for the issuance of letters of credit and performance and bid bonds were reduced by
outstanding letters of credit of $7 million (2020 – $7 million) and US$3 million (2020 – US$2 million), respectively. There were no amounts drawn on the US$15 million (2020 – nil) secured operating facility.

NOTE 25. SUPPLEMENTAL INFORMATION

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

		2021		2020
Accounts receivable	**$**	**(50,255)**	$	103,857
Inventory		**1,993**		5,181
Accounts payable and accrued liabilities		**44,986**		(53,666)
	$	**(3,276)**	$	55,372
Pertaining to:				
Operations	**$**	**(13,018)**	$	55,391
Investments		**9,742**		(19)

The components of accounts receivable were as follows:

		2021		2020
Trade	**$**	**152,897**	$	113,933
Accrued trade		**26,731**		16,769
Prepaids and other		**76,112**		76,507
	$	**255,740**	$	207,209

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

		2021		2020
Accounts payable	**$**	**90,750**	$	56,922
Accrued liabilities:				

Payroll		**68,953**		44,533
Other		**64,420**		49,502
	$	**224,123**	$	150,957

Precision presents expenses in the consolidated statements ofloss by function with the exception of depreciation and amortization and gain on asset disposals, which are presented by nature. Operating expense and general and administrative expense would include $263 million (2020 – $293 million) and $11 million (2020 – $11 million), respectively, of depreciation and amortization and gain on asset disposals, if the statements of loss were presented purely by function. The following table presents operating and general and administrative expenses by nature:

		2021		2020
Wages, salaries and benefits	**$**	**482,695**	$	438,209
Wage subsidies		**(24,108)**		(26,297)
Purchased materials, supplies and services		**278,743**		240,591
Share-based compensation		**56,745**		19,847
	$	**794,075**	$	672,350
Allocated to:				
Operating expense	**$**	**698,144**	$	583,420
General and administrative		**95,931**		70,869
Restructuring		**—**		18,061
	$	**794,075**	$	672,350

NOTE 26. CONTINGENCIES AND GUARANTEES

The business and operations of the Corporation are complex and the Corporation has executed a number of significant financings, business combinations, acquisitions and dispositions over the course of its history. The computation of income taxes payable as a result of these transactions involves many complex factors as well as the Corporation's interpretation of relevant tax legislation and regulations. The Corporation's management believes that the provision for income tax is adequate and in accordance with IFRS and applicable legislation and regulations. However, there are tax filing positions that have been and can still be the subject of review by taxation authorities who may successfully challenge the Corporation's interpretation of the applicable tax legislation and regulations, with the result that additional taxes could be payable by the Corporation.

The Corporation, through the performance of its services, product sales and business arrangements, is sometimes named as a defendant in litigation. The outcome of such claims against the Corporation is not determinable at this time; however, their ultimate resolution is not expected to have a material adverse effect on the Corporation.

The Corporation has entered into agreements indemnifying certain parties primarily with respect to tax and specific third-party claims associated with businesses sold by the Corporation. Due to the nature of the indemnifications, the maximum exposure under these agreements cannot be estimated. No amounts have been recorded for the indemnities as the Corporation's obligations under them are not probable or determinable.

NOTE 27. LONG-TERM DEBT GUARANTORS

Precision Drilling Corporation (Parent) issued registered unsecured senior notes in 2017 and 2021 which are fully and unconditionally guaranteed by certain U.S. and Canadian subsidiaries (Guarantor Subsidiaries) that also guaranteed the Senior Credit Facility. These Guarantor Subsidiaries are directly or indirectly wholly-owned by the Parent. The following is a description of the terms and conditions of the guarantees with respect to the unsecured senior notes for which Precision is the Parent issuer and Guarantor Subsidiaries (Obligor Group) provides a full and unconditional guarantee.

As at December 31, 2021, Precision had $946 million principal amount of unsecured senior notes outstanding, $440 million due in 2026 and $506 million due in 2029, all of which is guaranteed by the Guarantor Subsidiaries.

The Guarantor Subsidiaries jointly and severally, fully, unconditionally, and irrevocably guarantees the payment of the principal and interest on the unsecured senior notes when they become due, whether at maturity or otherwise. The guarantee is unsecured and ranks senior with all of the Guarantor Subsidiaries' other unsecured obligations.

The Guarantor Subsidiaries will be released and relieved of its obligations under the guarantees after the obligations to the holders are satisfied in accordance with the applicable indentures.

Summarized Financial Information

The following tables include summarized financial information for the Obligor Group on a combined basis after elimination of (i) intercompany transactions and balances within the Obligor Group; (ii) equity in earnings from investments in the non-guarantor subsidiaries; and (iii) intercompany dividend income.

Statements of Loss

		Parent and Guarantor Subsidiaries **2021**		2020
Revenue	**$**	**844,619**	$	752,794
Expenses		**690,149**		548,991
Earnings before income taxes, loss (gain) on redemption and repurchase of unsecured senior notes, loss on investments and other assets, finance charges, foreign exchange, gain on asset disposals, and depreciation and amortization		**154,470**		203,803
Net loss		**(171,030)**		(144,086)

Statements of Financial Position

		Parent and Guarantor Subsidiaries **2021**		2020
Assets				
Current assets	**$**	**219,013**	$	227,265
Property, plant and equipment		**1,909,951**		2,085,460
Other non-current assets		**79,033**		79,104

	Parent and Guarantor Subsidiaries

	2021	2020
Liabilities		
Current liabilities	**$ 200,784**	$ 123,472
Long-term debt	**1,106,794**	1,236,210
Other non-current liabilities	**87,411**	86,303

Excluded from the statements of loss and statements of financial position above are the following intercompany transactions and balances that the Obligor Group had with the non-guarantor subsidiaries:

	Parent and Guarantor Subsidiaries	
	2021	2020
Assets		
Accounts receivable, intercompany	**$ 34,373**	$ 35,500
Short-term advances to affiliates	**11,686**	13,359

	Parent and Guarantor Subsidiaries	
	2021	2020
Liabilities		
Accounts payable and accrued liabilities, intercompany	**$ 33,820**	$ 25,374
Long-term advances from affiliates	**128,606**	89,830

NOTE 28. SUBSIDIARIES

Significant Subsidiaries

		Ownership Interest	
	Country of Incorporation	**2021**	2020
Precision Limited Partnership	Canada	**100%**	100%
Precision Drilling Canada Limited Partnership	Canada	**100%**	100%
Precision Diversified Oilfield Services Corp.	Canada	**100%**	100%
Precision Drilling (US) Corporation	United States	**100%**	100%
Precision Drilling Holdings Company	United States	**100%**	100%
Precision Drilling Company LP	United States	**100%**	100%
Precision Completion & Production Services Ltd.	United States	**100%**	100%
Grey Wolf Drilling Limited	Barbados	**100%**	100%
Grey Wolf Drilling (Barbados) Ltd.	Barbados	**100%**	100%