PRECISION DRILLING CORPORATION

Annual Report
1997

PRECISION DRILLING CORPORATION

Precision is Canada's most active drilling contractor and is the leader in both oilfield and industrial services.

Precision attributes its growth and financial success to the culmination of many factors. Adherence to a strategy of premium quality in terms of people and equipment has fueled the Corporation's success. Management focuses on financial systems and long term strategic planning with a commitment to training and safety. Precision's employees are therefore free to focus on customers in their day-to-day business activities. The impact of this simple approach is evidenced in year-over-year growth in terms of productivity, revenue, earnings and asset value.

Precision is headquartered in Calgary, Alberta and provides comprehensive services to the oil and gas exploration and production sector throughout western Canada and internationally. Precision is publicly traded on The Toronto Stock Exchange (symbol PD) and the New York Stock Exchange (symbol PDS). Precision reports its financial results in Canadian dollars.

ANNUAL MEETING

The Annual General Meeting of the Shareholders of Precision Drilling Corporation will be held in the McMurray Room of the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta at 3:30 p.m. (Calgary time) on Thursday, September 18, 1997. Shareholders are encouraged to attend and those unable to do so are requested to complete the Form of Proxy and forward it at their earliest convenience.

FINANCIAL PERFORMANCE SUMMARY

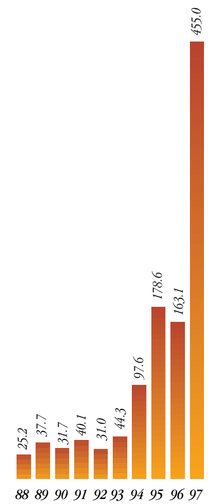
Years ended April 30, 1997 and 1996

(Stated in thousands of dollars except per share amounts)

	1997	1996	% Change
Revenue	**455,037**	163,102	+ 179
Gross margin	**140,103**	51,304	+ 173
Cash flow (1)	**76,157**	28,170	+ 170
Per share	**5.15**	3.32	+ 55
Net earnings	**42,359**	17,568	+ 141
Per share	**2.87**	2.07	+ 39
Shareholders' equity	**353,387**	130,794	+ 170
Per share	**23.91**	15.40	+ 55
Net capital expenditures	**53,568**	23,135	+ 132
Long-term debt	**96,305**	9,695	+ 893
Average number of shares outstanding	**14,781,348**	8,494,201	
Return on shareholders' equity (%)	**12.0**	13.4	
Volume of shares traded (2)	**18,639,348**	8,416,227	
Average price per share (2)	**42.60**	16.92	

REVENUE

Millions of Dollars



QUARTERLY RESULTS SUMMARIES

(Stated in thousands of dollars except per share amounts)

	Q1	Q2	Q3	Q4	**1997**
Revenue	74,943	108,814	122,824	148,456	**455,037**
EBITDA (3)	16,411	26,392	30,309	37,625	**110,737**
Cash flow (1)	11,192	15,940	20,358	28,667	**76,157**
Per share	0.86	1.12	1.36	1.81	**5.15**
Net earnings	6,835	10,299	11,707	13,518	**42,359**
Per share	0.52	0.73	0.78	0.84	**2.87**

	Q1	Q2	Q3	Q4	1996
Revenue	32,510	36,487	49,254	44,851	163,102
EBITDA (3)	5,502	7,548	15,577	10,399	39,026
Cash flow (1)	4,656	5,871	10,622	7,021	28,170
Per share	0.57	0.71	1.28	0.76	3.32
Net earnings	2,641	3,362	7,807	3,758	17,568
Per share	0.32	0.41	0.94	0.40	2.07

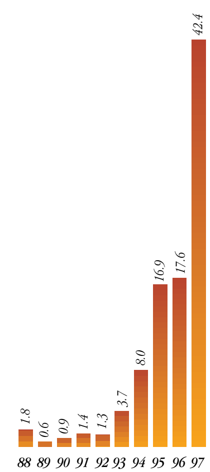
(1) Funds provided by operations combined with dividend income

(2) Relates only to shares traded on The Toronto Stock Exchange

(3) EBITDA – Earnings before interest, taxes, dividends, depreciation and amortization

NET EARNINGS

Millions of Dollars

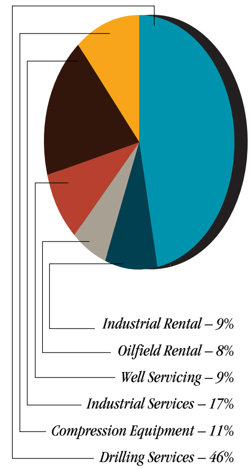


DRILLING PERFORMANCE SUMMARY

Years ended April 30, 1997 and 1996

	1997			1996		
	Precision	**Industry**	**Market Share %**	Precision	Industry	Market Share %
Number of drilling rigs	**101**	**468**	**21.6**	83	460	18.0
Number of operating days (spud to release)	**20,448**	**105,192**	**19.4**	16,483	86,406	19.1
Wells drilled	**3,428**	**14,144**	**24.2**	2,700	11,009	24.5
Metres drilled (thousands)	**3,661**	**15,607**	**23.5**	3,008	12,672	23.7
Rig utilization rate (%)	**63.6**	**62.7**		54.1	51.3	

1997 REVENUE BY SOURCE

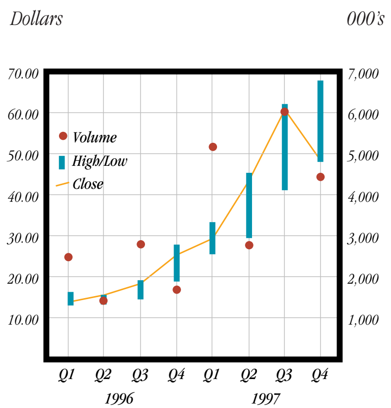


SHARE TRADING SUMMARY (1)

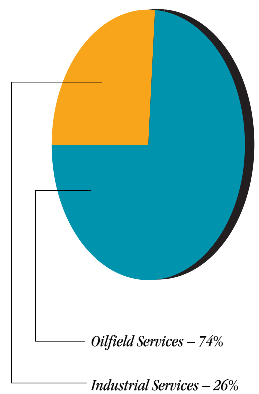
	High ($)	Low ($)	Close ($)	Volume of shares	Value ($)
1996					
July 31, 1995	16.50	13.00	14.00	2,530,143	38,630,602
October 31, 1995	15.75	13.25	15.75	1,403,379	19,200,086
January 31, 1996	19.00	14.50	18.50	2,820,198	47,261,015
April 30, 1996	27.75	18.75	25.50	1,662,507	37,301,152
	27.75	13.00	25.50	8,416,227	142,392,855
1997					
July 31, 1996	**33.00**	**25.50**	**29.50**	**5,227,049**	**149,937,971**
October 31, 1996	**45.00**	**29.25**	**43.50**	**2,801,050**	**97,882,422**
January 31, 1997	**62.00**	**41.00**	**60.90**	**6,179,628**	**302,843,730**
April 30, 1997	**67.50**	**48.10**	**48.45**	**4,431,621**	**243,376,175**
	67.50	**25.50**	**48.45**	**18,639,348**	**794,040,298**

(1) Relates only to shares traded on The Toronto Stock Exchange

SHARE TRADING HISTORY



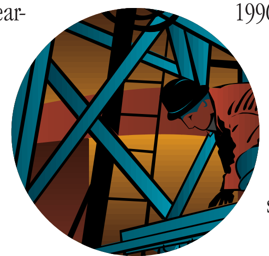
OPERATING SEGMENTS



TO OUR SHAREHOLDERS

As Precision goes forward in 1998 we are starting the year in new territory. Precision is now the largest drilling contractor in North America in terms of metres drilled. We are also a much more diversified service company — having broadened our capabilities in the oilfield and industrial service sectors.

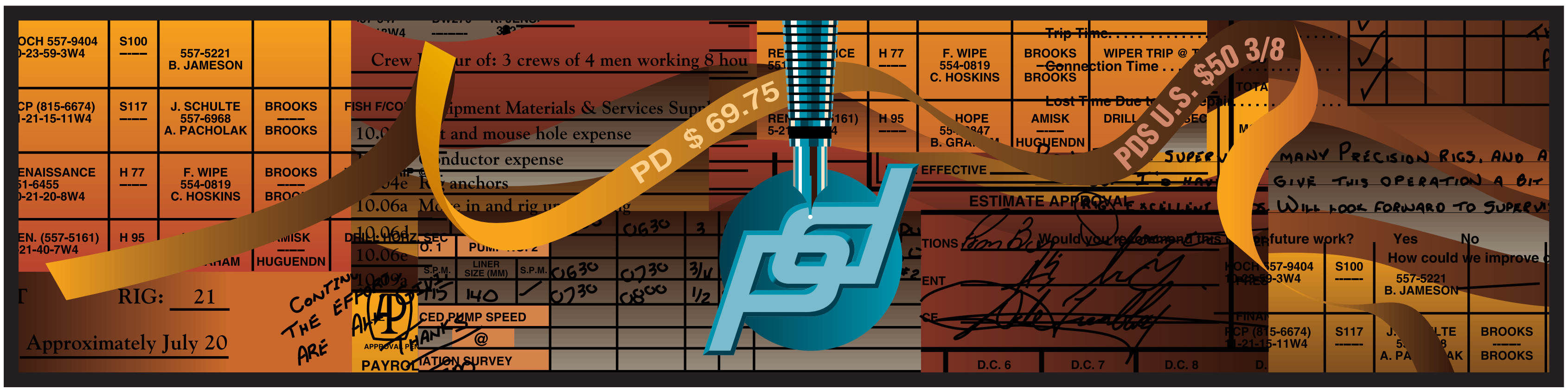
It was a record year for fiscal 1997 financial and operating performance, and especially for acquisition and financing activity. The Corporation is positioned with industry-leading people, equipment, technical expertise and financial strength - a position from which continued growth will be generated.



The 1997 financial performance reflects year-over-year growth greater than at any time in Precision's history. The growth is largely attributable to acquisitions, however, the premium quality of service and equipment added and sustained through Precision's history cannot be overstated as an influencing factor on our results.

In 1997, we surpassed our $400 million revenue target with $455 million in revenue, up from $163 million in 1996. Cash flow increased to $76 million, or $4.83 per share fully diluted, compared to $28 million or $3.05 per share fully diluted in 1996. Earnings soared by 141 percent to $42 million, compared to $18 million last year. On a fully diluted per share basis, net earnings were $2.71 per share compared to $1.91 per share for 1996.

"Precision had an excellent year in 1997. While a challenging level of performance has been established, we see opportunities in every aspect of our business that will allow us to grow and perform better."



"Ultimately, a strong financial performance is the premium we provide another group of customers — our shareholders."

There are three key points to make about Precision's leading market position which will have a significant impact on our future:

1. While taking advantage of growth opportunities by completing a number of acquisitions, Precision is not just focused on size. Quality remains the drive behind our activity and as we have acquired companies and assets, we have quickly established efficiencies and systems to improve performance while supporting our people and equipment to ensure optimum performance for our customers. It is this focus on premium quality, and a belief in a "win-win" formula for ourselves and our customers that will sustain our market position.

2. We believe that the drilling and services sector is evolving, at the insistence of our customers, to provide for more comprehensive services with enhanced information and control systems. The increased breadth of services, combined with more sophisticated and costly systems and support, could be uneconomic without a large operating base and economies of scale. With the advances made in 1997, Precision is positioned to meet the increasing demand of customers while maintaining an optimal cost base.

3. Acquisition opportunities are unlikely to continue at the pace experienced in fiscal 1997. However, 1997 was also a year of significant internally generated growth and improved bottom line performance in each of its business segments. This trend will continue.

QUALITY FIRST – EVERYWHERE

"Continually striving for quality requires a commitment to our customers and their objectives, anticipating customer needs, providing the right equipment at the right time, operating efficiently and following up to ensure the service met expectations."

During the year, there were seven separate acquisitions completed, of which the most significant were EnServ Corporation (purchase price $228 million), Brelco Drilling Ltd. and substantially all of the assets of Ducharme Oilfield Rentals Ltd. ($91 million, combined) and Rostel Industries ($9 million).

Broadening Services

The EnServ acquisition significantly broadened the range of services provided by the Corporation. The purchase of the Ducharme assets expanded Precision's presence in the oilfield equipment rental business. The Brelco acquisition added to the drilling rig fleet at below replacement cost. Rostel provided much sought after capability to manufacture drilling equipment including rigs. The acquisitions were completed with a combination of cash flow, debt and equity financing. In total, the acquisitions in 1997 added more than $300 million in assets.

At year end, Precision had total long-term debt of $123 million, resulting in a manageable debt-to-equity ratio of 35%.

As important as completing the transactions is the success achieved in effectively combining the acquired companies' people and assets under the Precision umbrella. In fact, every acquired company immediately realized improved performance, benefiting all who participate in the Corporation.

"Precision's acquisition pace in 1997 is the realization of an industry consolidation trend. Providing comprehensive and quality services efficiently can only be achieved with a large asset base and financial capability. Precision's acquisitions were strategic and position the Corporation for significant, future growth."

Strengthening Market Position

Towards the end of 1997, Precision launched a takeover bid for Kenting Energy Services Inc. which, in turn, was in the process of acquiring Cactus Drilling, a division of Lynx Energy Services Corp. The Corporation followed up with an amended offer to take into account the value of Cactus Drilling. The deal was completed in June 1997 with Precision acquiring all of Kenting's shares, including those which had been provided to Lynx shareholders as part of the Kenting-Lynx transaction. The acquisition doubled the drilling business of the Corporation by adding 94 drilling rigs, 34 camps, two operating facilities and related equipment. Financing the $446 million transaction was completed by paying $208 million in cash, issuing approximately 3.7 million common shares and approximately 4.8 million Series 4, Preferred Shares.

The integration of Kenting and Cactus management and personnel into Precision is complete. The transaction is anticipated to have a substantial and positive impact on the Corporation.

Subsequent to the Kenting transaction, a Canadian debenture issue was completed providing $200 million in financing, maturing in 2007. The successful closing of the financing reflects the strength of the Corporation in the eyes of the investment community, and represents the first time this size of issue was completed by an oilfield service company, with a "BBB" rating sold exclusively into the Canadian market. For Precision, the debenture issue strengthens its balance sheet, providing the Corporation with increased liquidity and financial flexibility.

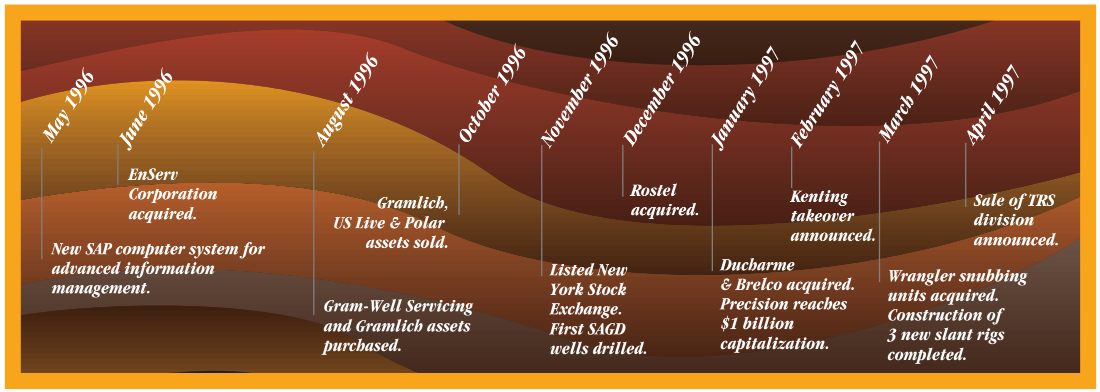
Impact of Acquisitions

By acquiring EnServ and Ducharme, Precision has strategically diversified into other sectors to enhance its service capability. With the addition of the Brelco, Kenting, Cactus and Rostel assets, Precision confirmed its commitment to the contract drilling business. The Corporation now holds a 40 percent market share with 195 of the total industry drilling rig count.

The oilfield and industrial services of Precision hold strong market positions within their respective sectors and, most important, generate impressive financial performance, contributing to the bottom line. In addition, these service businesses represent further growth and diversification opportunities for the Corporation.

The often overlooked value of acquisitions is the addition of highly trained and experienced personnel to the workforce. With the pool of expertise that Precision has assembled the Corporation is well positioned to capture further growth in the marketplace.

A Record Year's Key Events



"Acquisitions in 1997 expanded Precision's service capability and cemented its leading market position, particularly in contract drilling."

Opportunities

Precision will increase its international marketing efforts, strengthen its longer-term customer relationships and fully capitalize on economies of scale within its business units.

For contract drilling, Precision intends to maintain its market position and to grow internally by manufacturing rigs as appropriate to serve the specific requirements of our customers. Internationally, Venezuela is an area that offers the greatest, near-term opportunity for growth. Precision has also established relationships and contacts in other oil and gas production areas around the world. These relationships will be further developed when existing equipment becomes available or new equipment is constructed.

A process of consolidation in the drilling industry has continued over the last few years and prompted a decline from 58 participants a decade ago, with 547 active rigs, to 29 companies and currently 490 rigs. Even with the addition of new rigs to the industry, the rig supply is expected to remain tight, sustaining favorable prices for drilling contractors. Along with price strength, producers are increasingly interested in forging longer term commitments for rigs and services. Precision has a number of such relationships and is committed to the concept because of the opportunity to better serve customers' individual needs while realizing premium fees for the specialized service. This "win-win" formula has a positive impact on the producers' and Precision's businesses.

Underlying Precision's growth and marketing activities are industry-leading information systems and processes. With its rate of growth, Precision knows the importance of establishing systems that will accommodate growth, serve both management and administration of the business and ensure improved performance for all of its entities and divisions. Increased computerization, in order to communicate and transmit data from the drillsite to anywhere in the world, adds to the cost of rig operations and is often economic only if the investment is spread over a large fleet. Precision's pursuit of fleet size is partially in anticipation of leading these technological advances. This will ensure that customers have the service quality they expect, in order to improve their efficiency and bottom-line.

Quality in Safety

The commitment to safety standards and practices is more important than ever. The philosophy of the Corporation, from training and education to salaries and incentives are designed to encourage and support high safety standards. A new training facility was opened by Precision for its field employee base in 1997, the first of its kind in the Canadian drilling industry. This investment is a key component of our ability to maintain a rate of growth while at the same time maintaining a high standard of safety.

Outlook

The impact of acquisitions in 1997 and the robust market conditions are pointing to another year of growth for Precision in 1998. Significantly increased revenues, earnings and per share performance are anticipated. Economies of scale will support cost savings, particularly through the centralized purchasing operation that is being implemented. Precision has reached a size where vertical integration should provide substantial benefit to earnings performance.

The industry activity level is expected to continue at its record-breaking pace, supporting our growth objectives. With opportunities in the international arena and through some of our recent acquisitions, Precision is well positioned for continued growth.

A number of very capable people joined Precision's management group and Board during 1997 both via acquisitions and appointment. Murray Mullen and Troy Ducharme joined our Board during the year, and have already had a significant impact. Additions at the management level include Art Dumont as Chief Operating Officer, Bruce Herron as Senior Vice President, Services Group, Hugh Strain as Senior Vice President, Canadian Drilling, Blair Goertzen as Vice President, Well Servicing, and Derek Martin as Vice President, General Counsel. Also Larry Coston is Senior Vice President, Marketing and Mick McNulty is Vice President, Finance.

With record high activity levels in every aspect of our Corporation, the dedication required from all individuals is immense. There are few companies, in any sector, which have achieved this magnitude of growth while maintaining the quality standard that Precision is noted for. I attribute the success to the efforts of employees and suppliers, along with the significant support provided by Precision's Board of Directors. I appreciate the opportunity to work with these quality people who have worked together to build Precision.

(Signed)

Hank B. Swartout

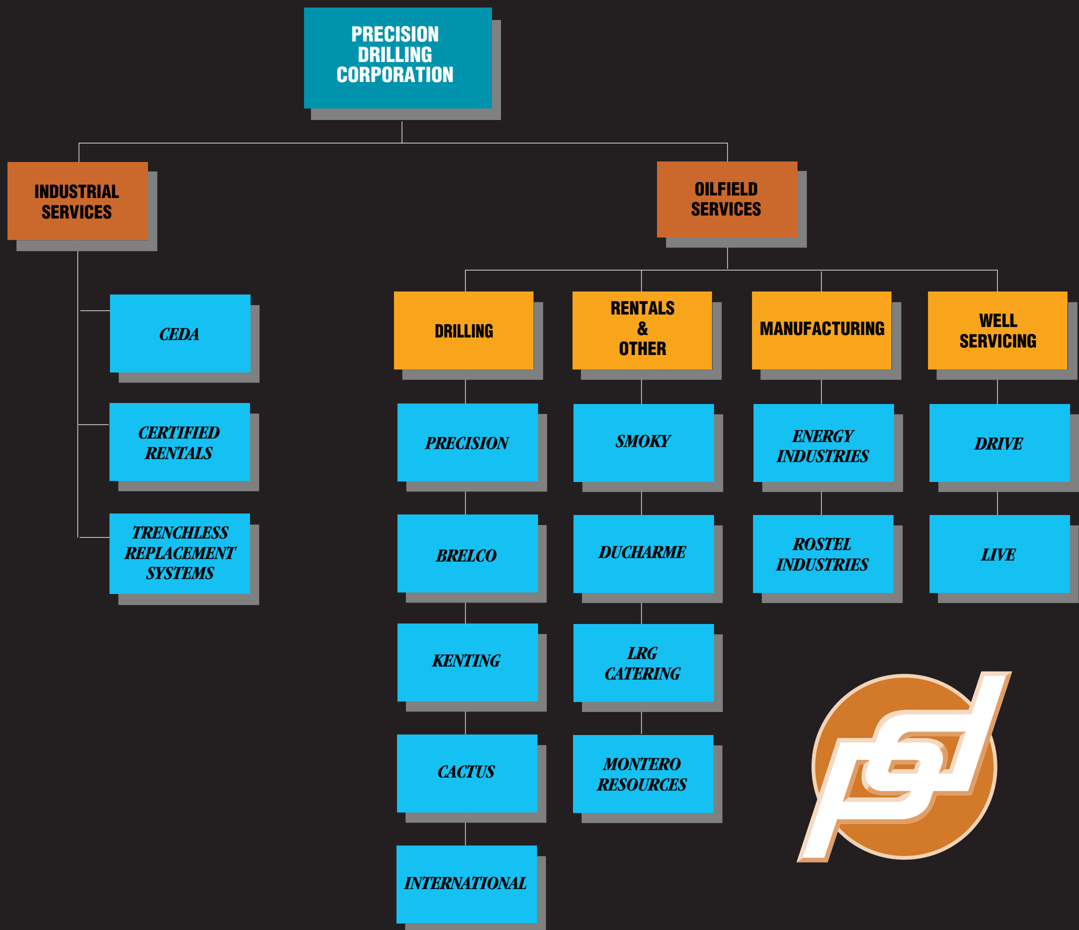
Chairman of the Board,

President and Chief Executive Officer

July 28, 1997

REVIEW OF OPERATIONS

The acquisitions of Kenting and Cactus, subsequent to 1997 year-end will have a dramatic impact on the Corporation. For accounting purposes, the acquisition is not recorded in 1997. However, this section of the Report includes the effect of these acquisitions to more accurately describe the Corporation, in terms of its service capability, market position and future opportunities.



Precision's industry position as a premium quality provider of drilling, oilfield and industrial services has allowed it to take advantage of the trend towards consolidation in the industry. A series of strategic acquisitions combined with Precision's leading position in the market place has produced a company that now has more than one billion dollars in assets. The Corporation now has approximately 40 percent market share in contract drilling and considerable market share in each of its service areas.

Precision maintains its reputation as a premium quality service company because of its fleet of top-notch equipment and its high calibre of personnel in the field, management and administration. Precision was the top driller for calendar 1996 with the number of metres and wells drilled exceeding all competitors by a substantial margin. Through a series of corporate acquisitions during 1997 and into early fiscal 1998, Precision significantly added to its industry presence.

The combination of fewer and fewer participants in the drilling services industry and minimal new rigs being manufactured, cements a leading industry position for Precision which is expected to be sustained into the foreseeable future.

Precision operates in two business areas: oilfield services and industrial services. Most of its activity takes place within Canada.

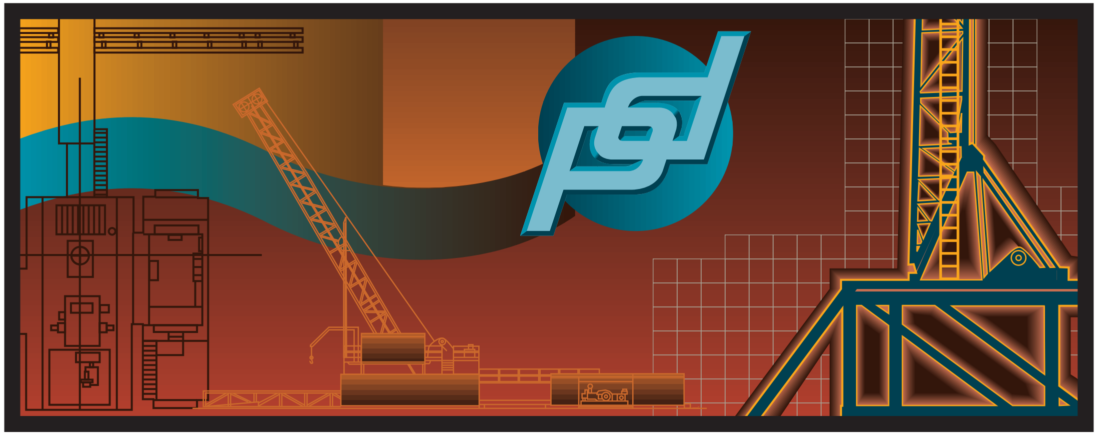
Precision's organization and systems have been substantially adapted to allow for the most efficient and effective operation at its larger size. The underlying premise to Precision's management approach is to employ the best people with the best equipment, and let them develop and manage the business. Many of the acquired companies operate independently under the name they built in the market place. Management supports their efforts with improved systems and increased purchasing power, leading to better margins. Precision's clearly defined approach to management and systems, allows the Corporation to continue to grow while still maintaining its quality standard.

A hallmark of our approach is the commitment to safety and training. Premium quality results from an employee base which is well trained and operates with safe procedures. A combination of continual training and financial incentives for employees to stay long term results in a high calibre work force. Throughout its organization, Precision can boast a quality work force which leads the industry and is reflected in its service standard and safety record.

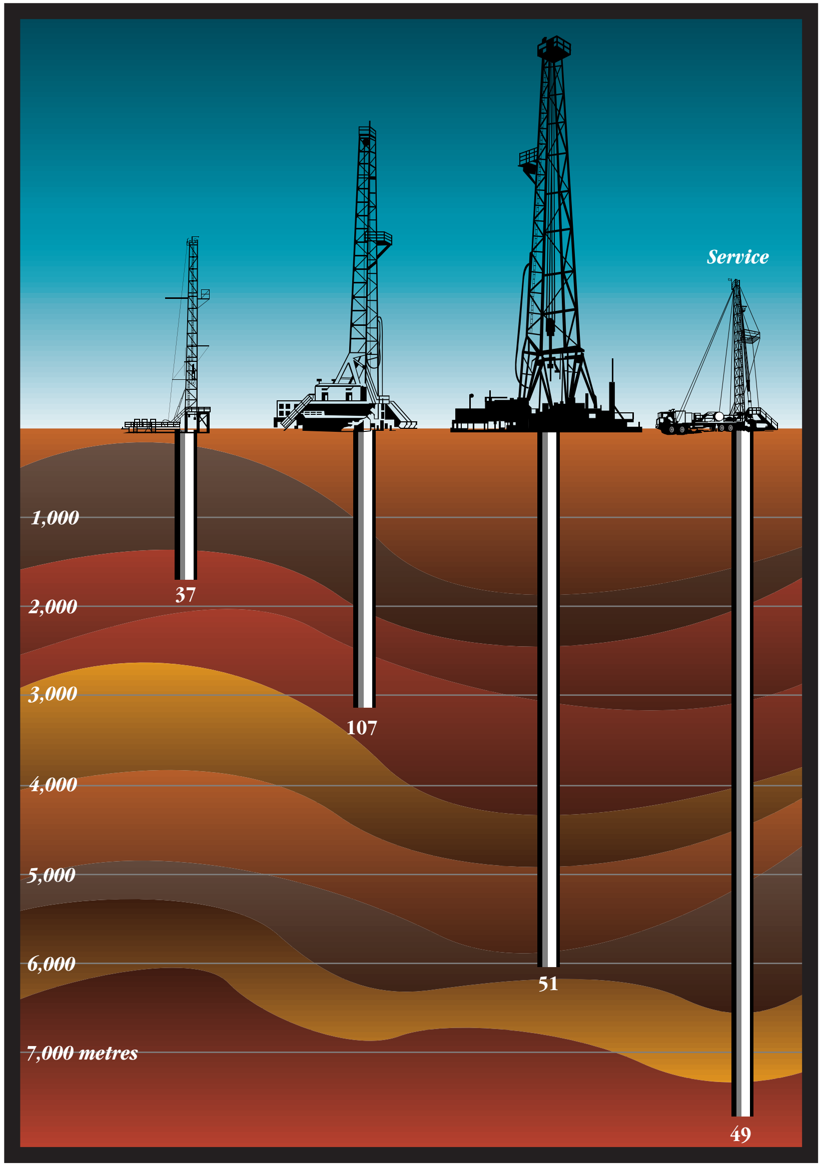
OILFIELD SERVICES

Contract Drilling

Precision has consolidated the activities of ***Brelco, Kenting,*** and ***Cactus*** under the ***Precision Drilling*** trade name.



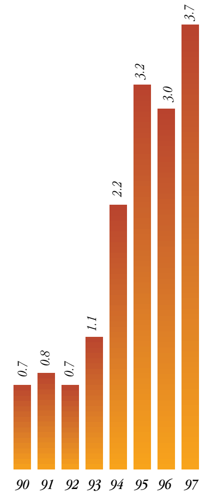
Precision's active fleet of 195 drilling rigs in western Canada covers a broad range of configurations and capabilities. The fleet has grown by 135 percent during the year, achieved for the most part by acquiring other drilling service companies. Growth will continue by



NUMBER OF RIGS & DRILLING DEPTH CAPACITY

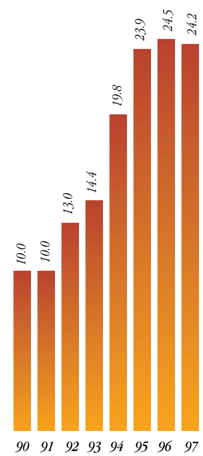
METRES DRILLED

Millions



MARKET SHARE

Percent



manufacturing new rigs, adding specialized equipment to the fleet and maintaining our service quality.

Additional Capability

Precision's fleet is well configured for the varied needs of the western Canadian energy industry. The fleet is made up of 15 singles, designed for shallow drilling depths, 88 doubles and 84 triples, capable of deep wells. The remaining eight rigs are slant rigs and represent 80 percent of the slant drilling rigs active in Canada. Directional drilling, including horizontal wells and multi-leg wells from one entry point is one of the most important changes to the drilling industry in the past decade. Producers are utilizing directional and multi-leg drilling techniques to achieve improved economics and reserve recovery. Precision's equipment and expertise in these applications, positions it effectively to meet the growing demand.

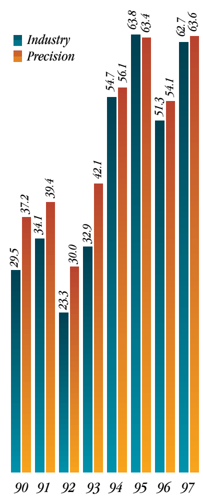
Precision manufactures its slant rigs, equipped with top-drive drilling systems, in order to serve the growing market for directional drilling, largely driven by the producers' increased focus on heavy oil. An additional advantage to these newer rigs is their use of automated pipe handling which is more efficient and can reduce labour costs while also lowering the risk of injury by limiting handling. Financing of these rigs is achieved through customer agreements which result in Precision investing in the manufacture of the rig based on a four or five year dedicated use agreement from a producer.

An additional five slant rigs are planned in fiscal 1998 using a similarly structured agreement to ensure the costs are fully recovered.

Throughout the Corporation's history, partnering with producers has led to mutually satisfying results. By understanding our customers' immediate and longer term needs, we can reconfigure existing rigs and design and manufacture new rigs which are optimally suited to their drilling requirements. In turn, Precision maximizes its utilization which forms a strong foundation for growth.

RIG UTILIZATION RATE

Percent



"Precision has worked hard to establish a reputation for quality. That effort continues throughout the Corporation. Acquiring quality people and equipment through 1997 has allowed for expanded services and new opportunities to provide consistent service to a demanding customer base."

Precision Drilling Statistics

(Year Ended April 30th)	**1997**	1996	1995	1994	1993	1992	1991	1990
Metres (000's)	**3,661**	3,008	3,158	2,196	1,054	725	795	716
Wells	**3,428**	2,700	2,893	2,058	892	575	600	513
% of Wells Drilled in Canada	**24.2**	24.5	23.9	19.8	14.4	13.0	10.0	10.0

Source: Daily Oil Bulletin

Rig Utilization Rate

(Year Ended April 30th)	**1997**	1996	1995	1994	1993	1992	1991	1990
Precision	**63.6**	54.1	63.4	56.1	42.1	30.0	39.4	37.2
Industry Average	**62.7**	51.3	63.8	54.7	32.9	23.3	34.1	29.5

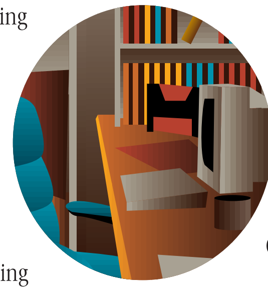
Source: CAODC

Premium Quality

Canada is world renowned for the high quality of its drilling equipment and the expertise of its drilling personnel. The robust market conditions and high activity levels support further investments in equipment, and fosters an environment for improved technical capability and efficiency. As the industry leader, Precision carries the reputation for having the highest quality equipment and employing the best people. Service quality is a key component of the Corporation's success, supporting premium rates and leading to customer loyalty. Precision demonstrates that its commitment to quality translates into improved efficiency for its customers and lower total costs than those achieved by the competition.

Full Service and Support

A valuable component of Precision's operating base is its fleet of 69 self-contained camps used to accommodate rig crews in remote locations. Precision controls the quality of the working conditions for its crews by owning and managing the camps. This is key to maintaining long-term employee relationships and optimum performance.



As the largest Canadian drilling contractor, Precision is positioned to benefit from increased purchasing power. The Corporation is centralizing its purchasing process in order to achieve economies of scale, reduce costs, improve performance and enhance earnings. Supporting field operations with centralized services, where it makes sense, is an approach that has allowed the Corporation to grow and achieve better results. By focusing on ways of reducing costs across the Company, Precision strengthens its ability to serve customers competitively.

"High standards must permeate the Corporation — in front of the customer and behind-the-scenes. Our customers expect excellence from the people they meet from Precision and in the systems and support we provide."

International Drilling Services

Precision has expanded its international presence with the acquisition of Kenting, by adding operations in Oman and Azerbaijan to its activities in Venezuela.

In Venezuela, the Corporation has signed a letter of intent to operate two drilling rigs for a joint venture between a U.S. multinational and a Venezuelan oil company. The agreement supplements two existing contracts to operate slant drilling and service rigs in Venezuela.

Another agreement, which is a 50-50 joint venture with Deutag, provides services during a three-year drilling program in Azerbaijan for an international consortium led by Amoco.

In Oman, there is one year remaining in a four-year drilling contract for one rig. The agreement has the potential for a one-year extension.

In addition, Precision has an agreement with a Chinese company for the exclusive distribution of mud pumps throughout North America.

Expansion of international operations will be focused on Venezuela where the Corporation has an established presence and, therefore, the best opportunity to achieve economies of scale. The activity in Venezuela is increasing, mainly because of the growing interest in heavy oil, an area with which Precision has considerable expertise.

The ultimate objective of international activity is to focus on areas which offer the best opportunity to grow and mirror the success realized domestically. Precision is in the process of rationalizing its foreign operations, consistent with this strategy.

Well Servicing

Precision conducts well servicing activities under the trade names ***DRIVE*** and ***LIVE.***

The well servicing business represents an important area of growth with the potential for further improved earnings. In 1997 the well service fleet doubled in size from 25 rigs to 49.

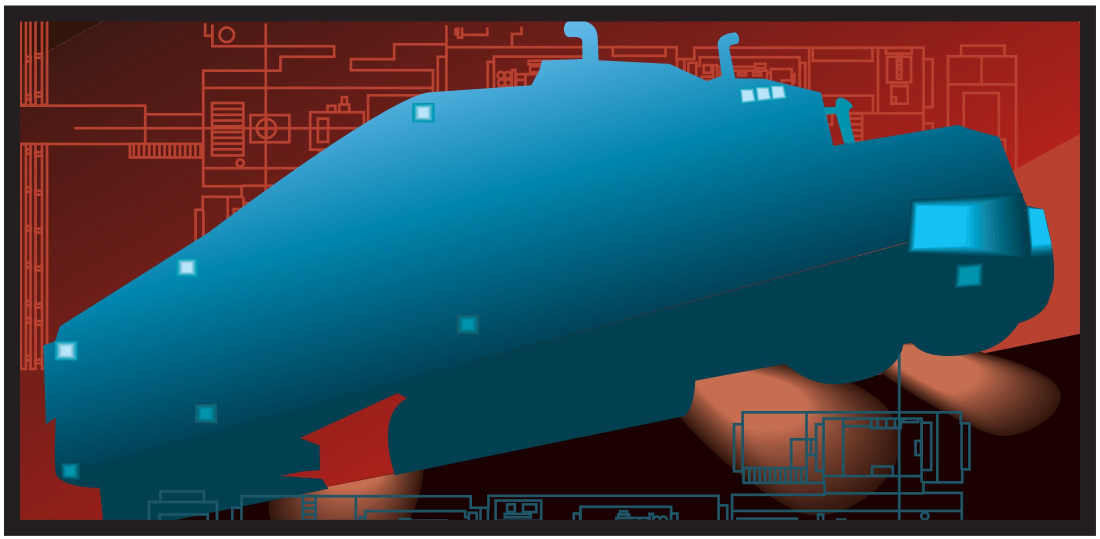
Well servicing encompasses a broad range of activities with the purposes of maintaining, repairing or modifying existing oil and gas wells. Precision has a fleet of 49 truck-mounted well servicing rigs and has one slant and eight conventional service rigs under construction to add to the fleet in fiscal 1998.

Growth Market Opportunity

Service rigs are used for new well completions and workovers of existing wells. Workover's create an active, steady demand for service rigs as well as generating 70 percent of total well servicing revenue in 1997. There are approximately 100,000 producing wells in western Canada today compared to 74,000 in 1990. This rise in the number of producing wells suggests that the demand for equipment for maintenance work will continue to be high.

Advanced design and technology improvements distinguish Precision's slant service rig capability from our competition. Three custom designed slant service rigs were manufactured in 1997. A fourth rig designed for heavy oil application is to come on-stream in 1998. These rigs are built under special customer agreements allowing for the full recovery of design and manufacturing costs.

With producers increasing their focus on heavy oil, the Corporation added a further 21 rigs to expand its heavy oil service capability.



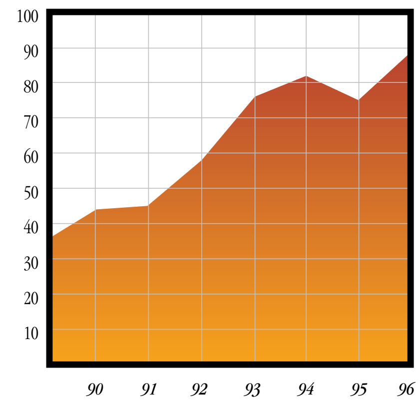
"Precision has developed a well known name in the service industry. The ability to serve the customer with the people and equipment they know and trust is paramount and contributes to Precision's strong performance."

A total of 17 rigs were acquired from other Canadian service companies, while four rigs were purchased in the U.S. and refurbished at our facilities.

The average utilization rate in calendar 1996 was 90%, which compares favorably to industry utilization of 89%.

INDUSTRY SERVICE RIG UTILIZATION RATES

Percent



Customer alliances allow for increased efficiency, an example of which is the ability to change from the traditional 10 hour workdays to two, 12 hour shifts to optimize rig utilization.

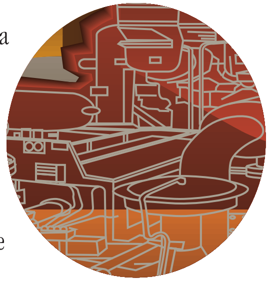
Snubbing Services

The demand for Snubbing units continues to increase steadily since the development of the technique in 1980. Snubbing units assist the process of well servicing by providing an alternative method of well control without injecting potentially harmful fluids into the well formation. Snubbing is typically applied to natural gas production and requires the use of highly mobile, hydraulic equipment which controls well pressure while work is completed.

The emergence of "under balanced drilling" has added another application for snubbing services.

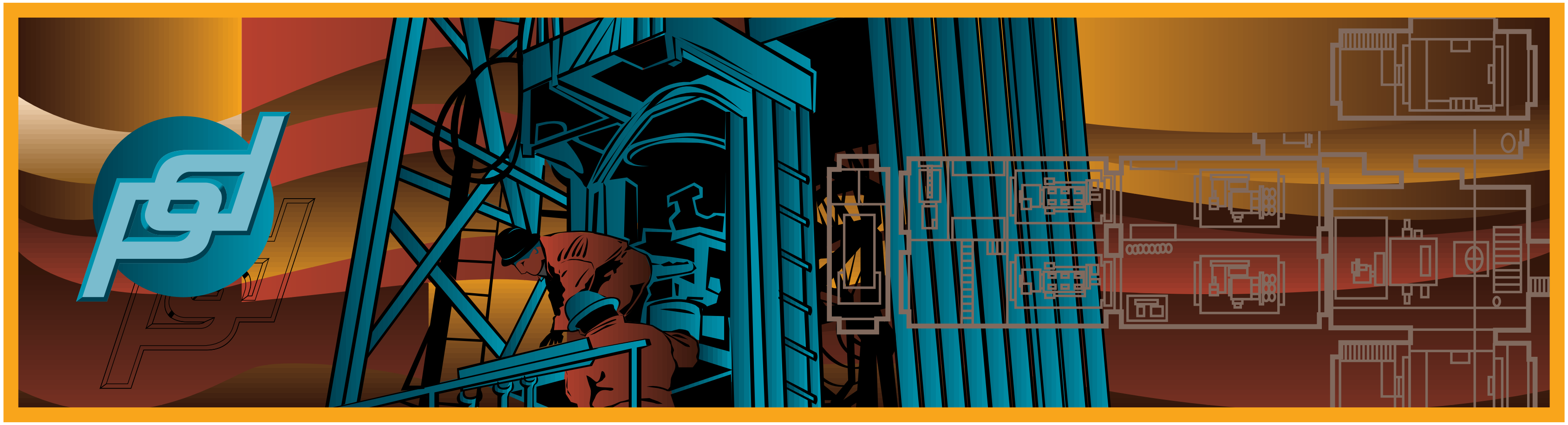
The snubbing units are used for primary well control during the drilling of the under balanced section and the subsequent extraction of the drill string.

Precision's fleet of 16 snubbing units is the largest fleet of its kind in Canada and represents 54 percent of the market.



The Corporation has become the industry leader in this service and is the service provider of choice for two of the industry's most active oil and gas producers.

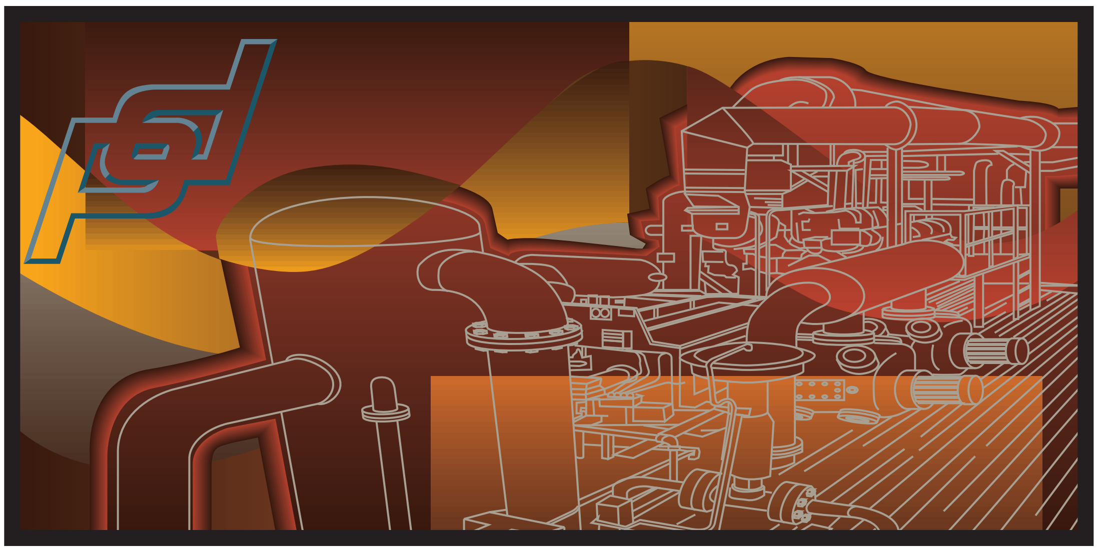
"Snubbing units provide an alternative method of well control without injecting potentially harmful fluids into the well formation."



International Arena

Growth in the domestic market continues and is enhanced by the Corporation's first venture into the European market. A contract to provide snubbing equipment and services in Spain was signed in April 1997. Additional contracts are being pursued to expand on this introduction to the international marketplace.

"Serving the natural gas production sector, Precision designs, packages, sells and services natural gas compression equipment."



Manufacturing – Compression and Oilfield Equipment

Packaging and servicing of compression equipment is conducted by ***Energy Industries***. Oilfield equipment is manufactured by ***Rostel Industries***.

Serving the natural gas production sector, Precision designs, packages, sells and services natural gas compression equipment. Precision has exclusive distributorship rights in Canada for compressors manufactured by Weatherford Enterra. Compressors, typically in the range of 400 to 1,200 horsepower, are primarily sold to producers, although a fleet of 19 packages are used as rental units when producers need temporary usage.

The natural gas industry is growing, particularly because it is the more abundant of the hydrocarbon reserves in western Canada. The compressor market is dominated by three major suppliers and Precision is the second largest of the three. The forecasted growth combined with Precision's market position bodes well for the future, with the only limiting factor being facility constraints.

As the industry grows and an increasing number of compressors are in active use, the need for service and maintenance increases. Precision is well positioned with a new central parts warehouse plus the addition of a service shop positioned in close proximity to the northwest Alberta/northeast British Columbia region where much of the natural gas activity is taking place.

Revenue growth is anticipated as production companies increase gas sales based on the growing demand, sustained strong prices and the impact of new pipelines and system expansion. Natural gas exports to the U.S. are estimated by industry specialists to increase substantially over the next five to 10 years. This growth in gas sales will require significant investment in compression to increase deliverability.

Rostel Industries was acquired in December 1996. The acquisition guaranteed Precision's ability to manufacture purpose built drilling and other oilfield equipment in a market restricted by tight capacity and technical expertise.

Oilfield Equipment Rental and Other Services

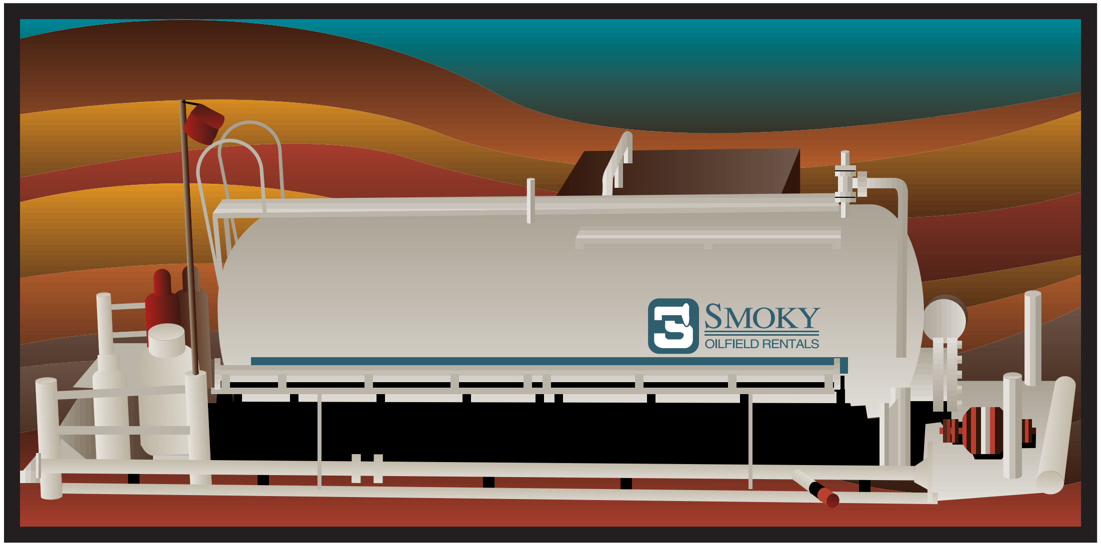
Rental and other services are provided by ***Smoky, Ducharme*** and ***LRG***.

The Corporation offers a broad range of products and equipment, used in all aspects and regions of the oil and gas industry, on a rental basis to a variety of customers.

Precision's sites are conveniently located to service customers throughout the western Canadian sedimentary basin.

Precision's oilfield equipment rental business was substantially increased in size during 1997, mainly through the acquisition of a wellsite trailer rental business. Precision now operates the largest, fully equipped, wellsite trailer fleet at 335. In addition, this acquisition expanded the rental product line into the downhole tool and motor business.

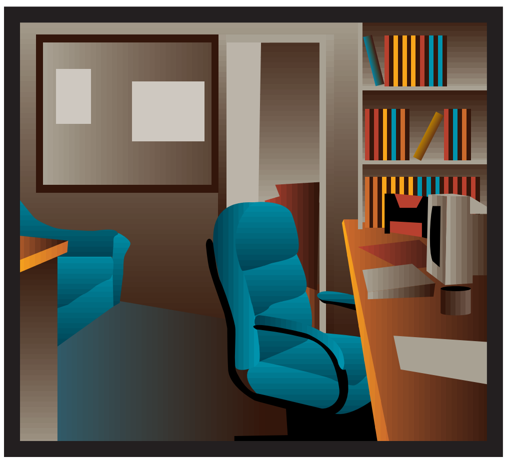
Storage tanks make up a significant portion of the rental business and Precision offers a large inventory, including customized tanks which are lined and heated to serve the growing heavy oil market. Another specialized piece of equipment for use in sour oil extraction is the vapor tight battery which permits the production and temporary storage of sour crude oil.



"Precision's sites are conveniently located to service customers throughout the western Canadian sedimentary basin."

Expansion of Precision's rental equipment network has provided better coverage to northern Alberta and southern Saskatchewan. Precision's opportunities to improve performance from this sector will accompany the cost savings realized from the improved purchasing power of the Precision name.

Through its catering division, Precision manages camps for on-site personnel in the field. The Corporation catered to approximately 30 camps last year of which it owns a total of 20. Operating quality camps is important in order to provide good working conditions for both employees and contractors.



Oil and Gas

Precision has a majority interest in a small oil and gas exploration and development company, ***Montero***. The Corporation invested $5.5 million in projects during fiscal 1997 and is in its third full year of a joint venture operation. Gross revenue has doubled to $1.7 million from 1996 to 1997.

The Corporation will develop existing properties and continue to operate its existing wells but has declined to fund further exploration within the joint venture.

Industrial Services

Precision's Industrial Services encompass industrial process services and a broad range of industrial equipment rental. This segment operates across Canada and the U.S. These businesses diversify Precision beyond the upstream energy sector into the downstream aspect of the oil and gas and other industries.

"Precision's oilfield equipment rental business was substantially increased in size during 1997, mainly through the acquisition of a wellsite trailer rental business."

In line with Precision's focus on premium quality, the industrial process services and industrial equipment rentals have leading industry positions and a reputation in the market place for quality equipment and expertise.

Industrial Process Services

Industrial process services are provided by ***CEDA.***

Precision provides equipment and expertise for the refining and petrochemical processing sector of the industry. The Corporation specializes in three general areas of activity: catalyst handling, industrial services and environmental services. Catalyst handling is provided at refineries, natural gas plants and petrochemical plants where large reactors containing catalysts are operated.

The catalyst is removed and replaced on a regular basis to achieve operating efficiency. Catalyst handling requires skilled technicians and proprietary equipment.

Industrial services includes the provision of vacuum trucks, highly specialized mechanical services, high pressure water blasting and proprietary chemical cleaning procedures. These services are usually undertaken at customer locations, frequently under critical time pressure during scheduled shutdowns or emergencies.

Precision extends its quality standard to this area of its business in order to provide safe, reliable and timely services.

Environmental services include providing emergency response capability, waste analysis, site clean-up and waste transfer to disposal locations.

Industrial Equipment Rental

Industrial equipment rentals are conducted through ***Certified Rentals*** and ***Trenchless Replacement Services (TRS)***.

A large inventory of industrial equipment is managed by Precision and is rented to a variety of industries at nine facilities; eight in western Canada and one in eastern Canada. The rental pool has over 100,000 items of which approximately 25,000 items are individually bar-coded for inventory control and usage tracking. The objective is to offer the largest, most modern rental inventory in the industry. Continued expansion of facilities and the rental pool is planned including the opening of a full service facility in northwestern Alberta in the first quarter of fiscal 1998. Market demand is anticipated to continue to grow for the foreseeable future.

The manufacturing and engineering activities of TRS were sold during the 1997 fiscal year. A letter of intent has been recently entered into to sell the remaining part of the business which includes the development, licencing and sales of proprietary trenchless equipment.

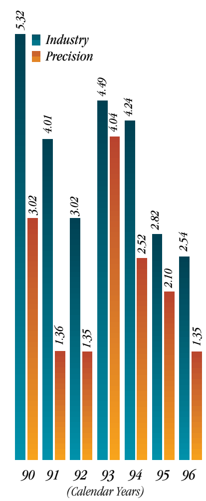
SAFETY

Over the past few years Precision has formulated a participatory approach to safety that strives for a commitment at all levels of the organization. Responsibility for the safety of employees and related procedures belong not just in the hands of a single manager, but rather permeates throughout the entire organization. All officers, managers and employees are expected to share an involvement and accountability for safe operations. This approach manifests itself in structured training programs in both the oilfield and industrial segments of the Corporation. On the drilling side, where there is a well established bench-marking system, the Corporation has consistently out-performed the industry when measuring lost time accident and medical aid frequencies.

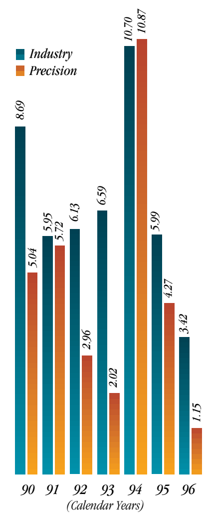
ENVIRONMENT

The Corporation continues to view environmental issues as key priorities at all levels of the organization. There is a strong focus on the management of waste materials resulting from oilfield and industrial services. Procedures have been developed with the full involvement of field employees to monitor and properly dispose of all waste materials. Training courses covering the protection of the environment are encouraged at field and management levels. Management provides reports to the Board of Directors on a regular basis and is establishing an Environmental Committee to specifically monitor regulatory observance and environmental practices. The Corporation believes that it is in compliance with applicable legislation and that no material contingent liabilities exist regarding environmental matters.

LOST TIME ACCIDENT FREQUENCY
Compensible accidents per 200,000 man hours worked



MEDICAL AID FREQUENCY
Accidents per 200,000 man hours worked



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Precision's outlook is extremely positive. While the oil and gas economics remain strong, Precision will maximize the efforts of its manpower and the utilization of its equipment to generate excellent results. Precision's premium quality will ensure it remains the supplier of choice in any market condition and its international opportunities will provide new markets for excess capacity."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Management's Discussion and Analysis focuses on key statistics from the Consolidated Financial Statements, and pertains to known risks and uncertainties relating to the oilfield and industrial service sectors. This discussion should not be considered all inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other elements may or may not occur which could affect the Corporation in the future. In order to obtain the best overall perspective, this discussion should be read in conjunction with the material contained in other parts of this annual report and with the Corporation's audited financial statements for the years ended April 30, 1997 and 1996, together with the related notes.

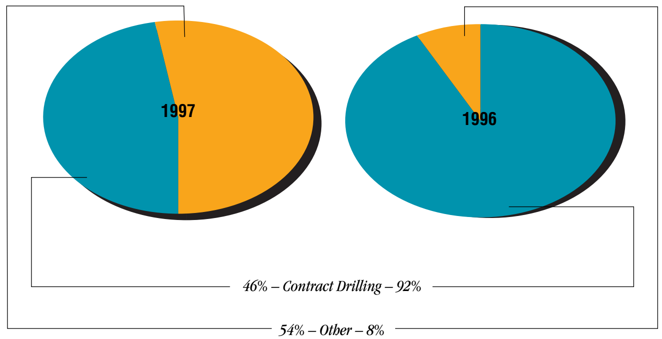
Our 1997 Consolidated Financial Statements include the operations of the following companies:

- PRECISION DRILLING CORPORATION *(includes the rental business of Ducharme effective February 1, 1997)*
- ARROWSTAR DRILLING PARTNERSHIP
- LRG CATERING LTD.
- MONTERO RESOURCES CORP.
- TRENCHLESS REPLACEMENT SERVICES LTD.
- PRECISION DRILLING DE VENEZUELA C.A. *through* P.D. INTERNATIONAL SERVICES INC.
- P. D. TECHNICAL SERVICES INC.
- ENSERV CORPORATION *(effective June 1, 1996)*
- ROSTEL INDUSTRIES LTD. *(effective January 1, 1997)*
- BRELCO DRILLING LTD. *(effective February 1, 1997)*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Corporation has grown substantially in fiscal 1997, primarily through a series of acquisitions to become the largest Canadian oilfield service company based on, among other things, revenue. The diversification achieved with these acquisitions is reflected in the change in revenue split with Canadian contract drilling revenues now representing only 46% of total Company revenues in fiscal year 1997 down from 92% of total Company revenues in fiscal year 1996.

CHANGE IN BUSINESS MIX – 1997/1996



Results of Operations

Revenues: Revenues for the fiscal year ended April 30, 1997 increased by $291.9 million over the fiscal year ended April 30, 1996, or 179%, to $455.0 million. Oilfield services revenues increased $171.8 million, or 105% to $334.9 million, and industrial services revenues contributed $120.1 million. The EnServ acquisition contributed $231.2 million of revenues from 11 months of operations during the fiscal year ended April 30, 1997, and captured all of the industrial services revenues.

In the Corporation's oilfield services segment, drilling services revenues increased $58.5 million, or 39% from $150.2 million in the fiscal year ended April 30, 1996 to $208.7 million in the fiscal year ended April 30, 1997. This increase was principally a result of a 24% increase in rig operating days (spud to release) from higher rig fleet utilization, compared to a 22% increase in rig operating days for the Canadian land drilling industry as a whole. The Corporation also realized improved pricing for its drilling services, partially offset by a protracted spring break-up at the start of the current fiscal year. The addition of Brelco, effective February 1, 1997, contributed $13.0 million of revenue in the fiscal year ending April 30, 1997.

Well servicing revenues of $39.3 million, gas compression equipment revenues of $50.5 million and oilfield equipment, manufacturing, rental and other revenues of $36.4 million were recorded in the fiscal year ended April 30, 1997 principally as a result of the EnServ acquisition. The Corporation believes that these businesses also experienced increased revenues as a result of the overall improvement in Canadian oilfield activity.

The Corporation's industrial services businesses were derived from the EnServ acquisition during the fiscal year ended April 30, 1997. Industrial process services contributed $80.1 million of revenues and industrial equipment rental contributed $40.0 million of revenues from 11 months of operations ended April 30, 1997. A high level of utilization of refineries and other petrochemical and processing plants in Canada and the United States continued throughout the fiscal year benefitting both industrial process services and equipment rentals.

Operating Segments

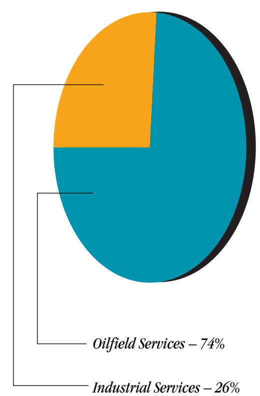
Oilfield services include:

> contract drilling, well servicing, gas compression equipment and oilfield equipment, rentals and other services provided to exploration and production companies.

Industrial services include:

> rental equipment, industrial maintenance and catalyst handling services provided to refineries, gas plants, petrochemical complexes and other process facilities.

OPERATING SEGMENTS



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

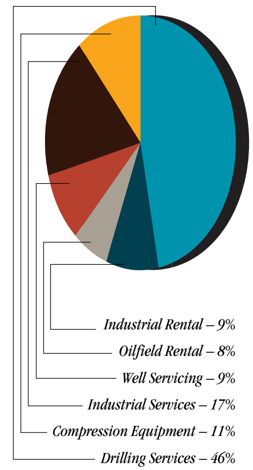
SEGMENT PERFORMANCE

Years ended April 30	**1997**	1996
Revenue		
Oilfield services:		
Contract drilling	**$ 208,709**	$ 150,215
Well servicing	**39,260**	–
Compression equipment	**50,511**	–
Oilfield equipment, rental and other	**36,408**	12,887
	334,888	163,102
Industrial services:		
Process services	**80,101**	–
Equipment rental	**40,048**	–
	120,149	–
Total revenues	**$ 455,037**	$ 163,102
Operating earnings		
Oilfield services	**$ 69,720**	$ 31,290
Industrial services	**15,838**	–
Total operating earnings	**$ 85,558**	$ 31,290

Operating Expenses: As a percentage of revenue, operating expenses remained at 69% for 1997 the same as 1996. In dollar terms, operating expenses increased $203.1 million, or 182% to $314.9 million for the current fiscal year due to newly acquired businesses ($178.9 million) and increased utilization of the Corporation's drilling rigs.

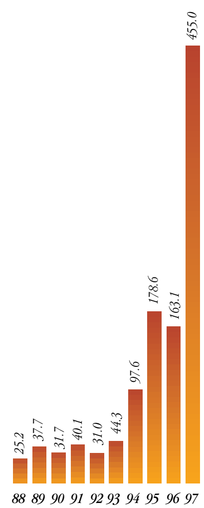
General and Administrative Expenses: General and administrative expenses increased $17.1 million, or 139% to $29.4 million in the fiscal year ended April 30, 1997. As a percentage of revenue, administrative costs decreased from 8% for the fiscal year ended April 30, 1996 to 6% for the fiscal year ended April 30, 1997. The increased costs relate to an additional $14.7 million of expenses associated with the acquired businesses and an

1997 REVENUE BY SOURCE



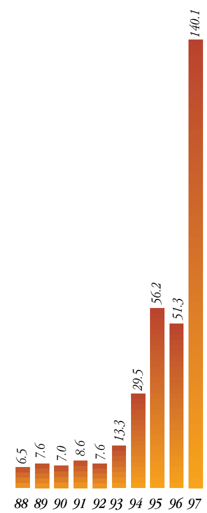
GROSS REVENUE

Millions of Dollars



GROSS MARGIN

Millions of Dollars



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

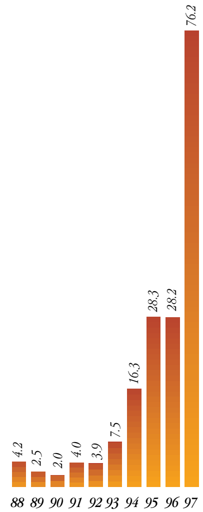
increase of $2.4 million related to the Corporation's pre-acquisition businesses. As a percentage of revenue, general and administrative costs remained consistent from fiscal year 1996 to fiscal year 1997 for the Corporation's pre-acquisition businesses.

Depreciation and Amortization Expenses:

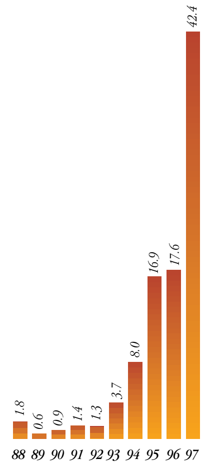
Depreciation and amortization expenses increased $17.4 million, or 225% to $25.2 million for the fiscal year ended April 30, 1997 compared to the fiscal year ended April 30, 1996. This increase was principally due to additional depreciation of $12.4 million relating to assets of acquired businesses and goodwill amortization of $3.4 million related to these acquisitions.

Interest Expense (net): Interest expense increased $3.2 million to a net expense of $3.9 million for the fiscal year ended April 30, 1997 from a net expense of $735,000 for the fiscal year ended April 30, 1996. This increase in interest expense was attributable to additional borrowings to complete various acquisitions and to construct four slant drilling rigs.

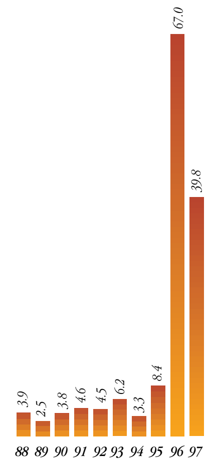
CASH FLOW
Millions of Dollars



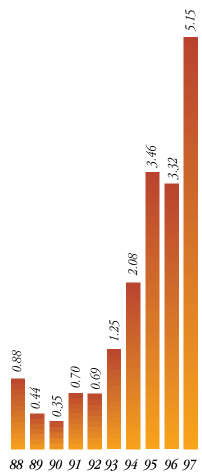
NET EARNINGS
Millions of Dollars



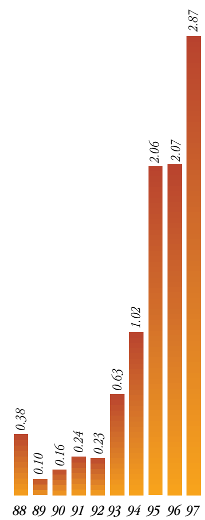
WORKING CAPITAL
Millions of Dollars



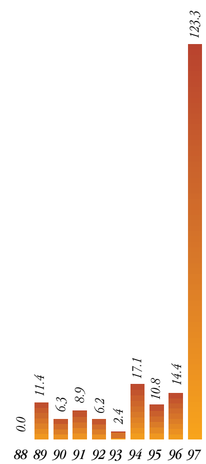
CASH FLOW PER SHARE
Dollars



NET EARNINGS PER SHARE
Dollars



LONG TERM DEBT
Millions of Dollars



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Dividend Income: A dividend from the Corporation's investment in Western Rock Bit Company Limited in the amount of $653,000 was received during the fiscal year ended April 30, 1997 compared to $381,000 received from such investment during 1996.

Income Taxes: Income taxes increased $27.4 million to $39.9 million, principally as a result of the increase in earnings before income taxes and minority interest and a higher effective tax rate in the current fiscal year. The Corporation's effective tax rate was 41% in the prior year but increased to 49% in fiscal 1997. The lower tax rate for 1996 resulted from the utilization of loss carry forwards during that fiscal year.

Net Earnings: Net earnings increased $24.8 million, or 141%, to $42.4 million in the fiscal year ended April 30, 1997.

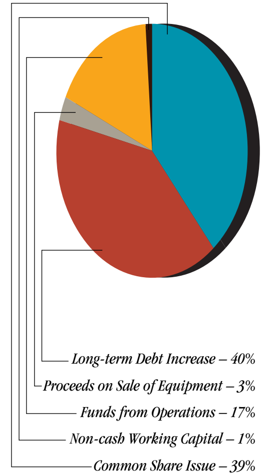
Financial Condition and Liquidity

Funds Provided by Operations: Funds provided by operating activities, before changes in non-cash working capital components, for the current fiscal year were $75.5 million compared to $27.8 million for 1996. The increase was primarily due to higher earnings in line with the improved operating results.

Investments: Net cash used in investing activities was $416.5 million in the fiscal year ended April 30, 1997, including expenditures of $219.3 million (net of cash received in the transaction of $9.0 million) for the EnServ acquisition and $99.3 million for the acquisition of Brelco, substantially all of the assets of Ducharme and the assets of the Rostel division from Taro Industries Limited. Other capital expenditures totaled $68.9 million in the 1997 fiscal year and were primarily related to the purchase of oilfield

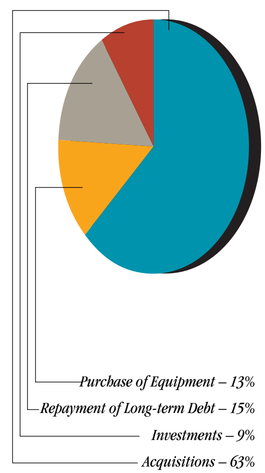
1997 SOURCES OF FUNDS

TOTAL: $455.3 MILLION



1997 USES OF FUNDS

TOTAL: $507.3 MILLION



equipment, industrial equipment, and facility upgrades at the Nisku Operations Centre. Proceeds on sale of property, plant and equipment were primarily related to the disposal of oilfield and industrial rental assets totaling $8.2 million and rental compressors totaling $2.5 million. Investments of $44.9 million were principally the shares held in Kenting Energy Services Inc. (Kenting) and Lynx Energy Services Corporation (Lynx) related to the acquisition completed subsequent to year end.

Financing: The Corporation received net proceeds from financing activities of $286.9 million in the fiscal year ended April 30, 1997 compared to $49.0 million in 1996. During the current fiscal year, the Corporation received $70.0 million in proceeds from a loan which was used to finance a portion of the EnServ acquisition. The loan was fully repaid on November 29, 1996 with the proceeds from the issuance of approximately 1.7 million common shares in conjunction with the Corporation's listing on the New York Stock Exchange. The acquisition loan was redrawn to $70.0 million in January 1997, for the purposes of completing the acquisition of Brelco and substantially all of the assets of Ducharme. An additional $43.6 million was drawn to finance the acquisition of shares in Kenting and Lynx, prior to the offer being made for all the shares of Kenting. Also in 1997, the Corporation issued approximately 3.4 million common shares to the shareholders of EnServ and approximately 185,000 common shares to the shareholders of Ducharme Oilfield Rentals Ltd., in connection with these acquisitions.

Liquidity: At April 30, 1997, the Corporation had total long term debt of $123.3 million, including the $70.0 million acquisition loan, $43.6 million related to the Kenting and Lynx shares and $9.6 million of project term loans related to the construction of five slant drilling rigs. The Corporation's total long-term debt-to-equity ratio was 35% at April 30, 1997.

The acquisition loan bears interest generally at the lender's prime rate. Other interest rates which are available to the Corporation are U.S. base rate, U.S. Libor rate and banker's acceptance rate plus appropriate fees. The principal amount of the acquisition loan is being repaid in six equal semi-annual payments of $11.7 million, although the lender has the right to repayment on demand. The Corporation also has the right at any

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

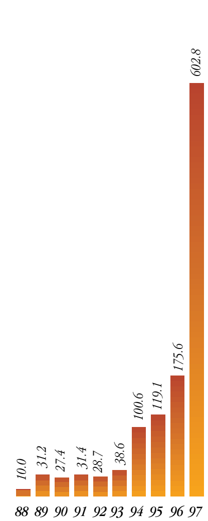
time, to prepay without penalty all, or any portion, of the loan. The loan is secured by a security interest in the property and accounts receivable of the Corporation and subsidiary guarantees.

The Corporation's operating loan was increased to $245.0 million for the purpose of the acquisition of Kenting. The facility bears interest at the lender's prime rate, but other interest rates are available to the Corporation similar to the acquisition loan. The operating loan is secured by a security interest in the property and accounts receivable of the Corporation and subsidiary guarantees.

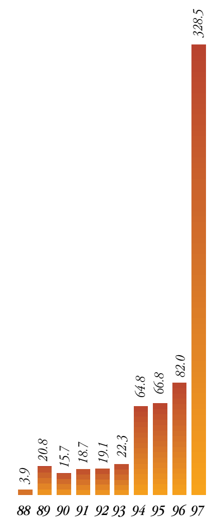
Subsequent to year end, the Corporation filed a prospectus for the issue of unsecured debentures in the amount of $200 million with an interest rate of 6.85% due June 2007. The proceeds were used to reduce the operating loan. The debentures were issued on June 26, 1997 and at the same time the bank released security that it held related to both the acquisition and operating loans. The bank maintains security on project term loans related to the construction of rigs. Prior to the issuance of the debentures the Corporation purchased a forward interest contract which set the effective rate of interest on the debentures at 7.44%

The Corporation believes that the combination of its working capital, its credit facility and cash flow from operations will provide the Corporation with sufficient capital resources and liquidity to fund its ongoing operations.

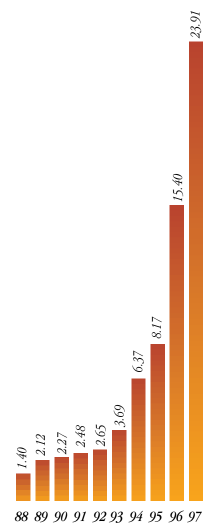
TOTAL ASSETS
Millions of Dollars



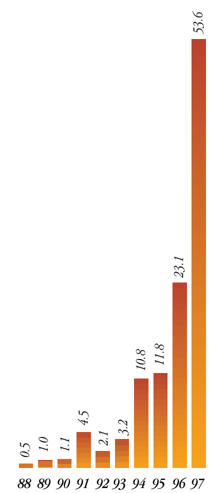
NET FIXED ASSETS
Millions of Dollars



SHAREHOLDERS' EQUITY
Dollars per Share



NET CAPITAL ADDITIONS
Millions of Dollars



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Recent Developments

On February 3, 1997, the Corporation launched an unsolicited takeover bid for all the outstanding shares of Kenting. The acquisition would add 68 drilling rigs to the Corporation's existing fleet and firmly establish it as the number one drilling contractor in Canada with a market share of 34%. At the same time as Precision made its offer, Kenting announced the merger of one of its subsidiaries with Lynx. Although unexpected, this development made the acquisition more attractive to the Corporation as it would add 26 more rigs and improve the Corporation's market share to approximately 40%. Accordingly, on February 19, 1997 the Corporation announced its intention to complete the transaction inclusive of the Lynx amalgamation. On April 16, 1997 the management of Kenting agreed to support an amended Precision bid. On May 5, 1997, Precision acquired 36.4 million Kenting shares or almost 99% of the shares then outstanding. However, this excluded the 7.3 million Kenting shares which were to be issued on completion of the Lynx amalgamation. Accordingly the Corporation extended its bid until June 2, 1997 in order to acquire the newly issued Lynx shares and the balance of the Kenting shares. By June 2, 1997 Precision had acquired a further 6.2 million Kenting shares and was now in possession of 99% of all the outstanding Kenting shares. The Corporation subsequently acquired the balance of the Kenting shares through the use of the compulsory acquisition provisions of the Business Corporations Act (Alberta). The total consideration for the acquisition of both Kenting and Lynx was $445.9 million including $207.8 million in cash, plus 4.8 million Series 4, Preferred Shares and 3.7 million Precision common shares.

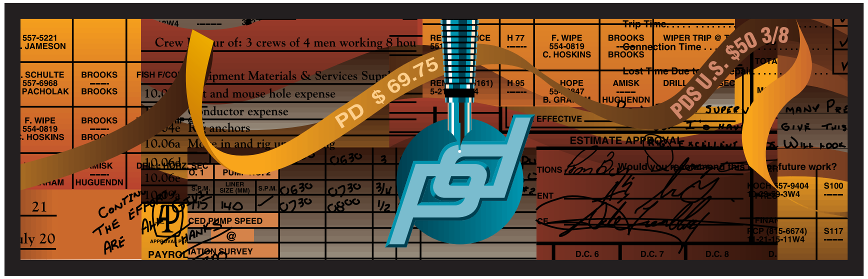
Business Risk and Management

The Corporation's results for April 30, 1997 are most directly affected by the number of oil and gas wells drilled as well as the current and anticipated demand for oil and gas as an energy source.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Factors which can affect Precision's business include:

- → PRICE OF OIL AND NATURAL GAS
- → REGULATORY INTERVENTION
- → TAXATION CHANGES
- → CHANGES IN EQUITY MARKETS
- → WEATHER
- → EXCHANGE RATES



These events have the most significant impact on performance and, although they are beyond management's control, Precision's business strategies are designed to limit the negative impact while taking advantages of opportunities that arise when the business environment is difficult. Much of Precision's labour force is mobilized only when business is available, therefore reduced demand for equipment and services is somewhat matched by reduced costs.

Precision continues to manage risk by strengthening its relationships with its customers by introducing innovative new technologies which assist in increasing our customers' production and profitability. The Corporation's financial strength, attention to costs, and conservative balance sheet management, enable Precision to maintain the most modern and efficient oilfield service equipment in the industry. Continuing expansion and up-grading of the slant and conventional rig fleet and other oilfield equipment allow the Corporation to meet drilling and servicing requirements. The investment made in industrial and rental services has provided Precision with operations which tend to mitigate the cyclical nature of upstream operations which are traditionally highly sensitive to changes in the prices of natural gas and oil.

A comprehensive insurance and risk management program is maintained to protect the Corporation's assets and operations. This program meets or exceeds current industry standards. The Corporation complies with current environmental requirements and constantly seeks ways to improve upon procedures through on-going participation in various industry related committees and programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Outlook

The outlook for the 1998 fiscal year is excellent, considering the opportunities generated by acquisition, market strength and a healthy economic climate.

In fiscal 1997, Precision proved its ability to expand effectively. Diversification, in terms of services and geographic markets was achieved and market position in all business areas was significantly enhanced. These objectives were realized while maintaining financial strength and without earnings dilution. Precision's momentum continues without interruption despite the exponential increase in activity affecting all areas of the Corporation.

In 1998 there will be an ongoing reinvestment in equipment maintenance and upgrades based on Precision's commitment to quality field operations. In 1998, facility construction and equipment purchases are planned in response to market demand. In the international arena, Venezuela is a key focal point with growth anticipated to result from deployment of people and equipment.

Acquisitions continue to be viewed as a feasible option for growth because of the ongoing need to add experienced people along with equipment. The first priority for acquisitions will be the expansion of existing businesses within Precision's broad base of services. An existing acquisition line of $70 million is currently available.

The success of 1997 indicates that future opportunities are numerous and wide-ranging. As long as an investment offers the opportunity for Precision to provide quality services along with quality earnings, it will be considered. With the various opportunities to grow and expand, Precision anticipates 1998 will again reflect strong financial performance.

PRECISION DRILLING CORPORATION

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

Years ended April 30, 1997 and 1996

The accompanying consolidated financial statements and all information in the 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 financial statements. When necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

KPMG, an independent firm of Chartered Accountants, has been engaged, as approved by a vote of shareholders at the Corporation's most recent annual general meeting, to audit the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion.

The audit committee of the Board of Directors, which is comprised of three directors who are not employees of the Corporation, has discussed the consolidated financial statements, including the notes thereto, with management and external auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the audit committee.

(Signed)

Dale E. Tremblay

Senior Vice President, Finance and Chief Financial Officer

June 26, 1997

(Signed)

M. J. McNulty

Vice President, Finance

AUDITORS' REPORT TO THE SHAREHOLDERS

Years ended April 30, 1997 and 1996

We have audited the consolidated balance sheets of Precision Drilling Corporation as at April 30, 1997 and 1996 and the consolidated statements of earnings and retained earnings and changes in financial position for years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

(Signed)

KPMG

Chartered Accountants

Calgary, Canada

June 26, 1997

CONSOLIDATED BALANCE SHEETS

April 30, 1997 and 1996
(Stated in thousands of dollars)

		1997	1996
Assets			
Current assets:			
Cash		**$ 470**	$ 51,981
Accounts receivable		**123,433**	33,142
Inventory		**29,485**	4,162
		153,388	89,285
Investments	*note 2*	**49,540**	4,324
Property, plant and equipment, at cost less accumulated depreciation	*note 3*	**328,503**	81,958
Goodwill, net of amortization of $3,401		**71,407**	–
		$ 602,838	$ 175,567
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness		**$ 1,012**	$ 524
Accounts payable and accrued liabilities		**66,149**	17,047
Income taxes payable		**19,429**	–
Current portion of long-term debt		**27,002**	4,698
		113,592	22,269
Long-term debt	*note 4*	**96,305**	9,695
Deferred income taxes		**39,554**	12,809
Shareholders' equity:			
Share capital	*note 5*	**256,029**	75,795
Retained earnings		**97,358**	54,999
		353,387	130,794
Commitments	*note 7*		
Subsequent events	*note 14*		
		$ 602,838	$ 175,567

Approved by the Board:

(Signed)
Hank B. Swartout
Director

(Signed)
Ronald G. Winkelaar
Director

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Years ended April 30, 1997 and 1996

(Stated in thousands of dollars except per share amounts)

		1997	1996
Revenue		$ 455,037	$ 163,102
Expenses:			
Operating		314,934	111,798
General and administrative		29,366	12,278
Depreciation and amortization		25,179	7,736
		369,479	131,812
Operating earnings		85,558	31,290
Interest			
Long-term debt		3,146	727
Other		1,315	276
Income		(522)	(268)
Dividend income		(653)	(381)
Foreign exchange		–	671
Earnings before income taxes and minority interest		82,272	30,265
Income taxes	*note 6*		
Current		31,294	9,831
Deferred		8,619	2,670
		39,913	12,501
Earnings before minority interest		42,359	17,764
Minority interest		–	196
Net earnings		42,359	17,568
Retained earnings, beginning of year		54,999	37,431
Retained earnings, end of year		$ 97,358	$ 54,999
Earnings per share:			
Basic		$ 2.87	$ 2.07
Fully diluted		$ 2.71	$ 1.91

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years ended April 30, 1997 and 1996

(Stated in thousands of dollars except per share amounts)

	1997	1996
Cash provided by (used in):		
Operations:		
Net earnings	**$ 42,359**	$ 17,568
Deduct dividend income	**653**	381
	41,706	17,187
Charges not affecting cash:		
Depreciation and amortization	**25,179**	7,736
Deferred income taxes	**8,619**	2,670
Minority interest	**–**	196
Funds provided by operations	**75,504**	27,789
Changes in non-cash working capital components	**2,076**	(14,201)
	77,580	13,588
Investments:		
Acquisitions	**(318,683)**	–
Purchase of property, plant and equipment	**(68,856)**	(24,299)
Proceeds on sale of property, plant and equipment	**15,288**	1,164
Investments	**(44,919)**	108
Dividend income	**653**	381
Purchase of minority interest in subsidiary	**–**	(241)
	(416,517)	(22,887)
Financing:		
Increase in long-term debt	**183,626**	14,671
Repayment of long-term debt	**(74,819)**	(11,030)
Issuance of common shares, net	**178,131**	45,312
	286,938	48,953
Increase (decrease) in cash	**(51,999)**	39,654
Cash, beginning of year	**51,457**	11,803
Cash (bank indebtedness), end of year	**$ (542)**	$ 51,457
Funds provided by operations per share:		
Basic	**$ 5.11**	$ 3.27
Fully diluted	**$ 4.79**	$ 3.00

Cash is defined as cash net of bank indebtedness

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 1997 and 1996
(Stated in thousands of dollars except per share amounts)

The Corporation's principal activities include the provision of land drilling services; well servicing; the design, packaging, sale and service of natural gas compression equipment; the manufacture and rental of oilfield and industrial equipment; and the provision of industrial services to downstream oil and gas, petrochemical and other process industry customers.

1. Significant accounting policies:

(a) *Principles of consolidation:*

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, EnServ Corporation, LRG Catering Ltd., Trenchless Replacement Services Ltd., P. D. International Services Inc. (including its foreign subsidiaries), Rostel Industries Ltd., Brelco Drilling Ltd., its 95% interest in Montero Resources Corp. and its 50% interest in the Arrowstar Drilling Partnership. The financial statements are prepared in accordance with generally accepted accounting principles in Canada.

(b) *Inventory:*

Inventory is valued at the lower of average cost and replacement value.

(c) *Investments:*

Investments in shares of associated companies, over which the Corporation has significant influence, are accounted for by the equity method. Other investments are carried at cost.

(d) *Property, plant and equipment:*

Drilling rig equipment is depreciated on a unit-of-production method based on 3,000 drilling days. Service rig equipment is depreciated on a unit-of-production method based on an estimated useful life of the equipment varying from 1,500 to 2,000 days.

Rental equipment is depreciated on a straight-line basis over periods ranging from 3 to 25 years.

Other equipment is depreciated on a declining balance basis at rates of 10% to 30%.

Equipment recorded under capital leases is amortized on a straight-line basis over its estimated useful life.

Light duty vehicles are depreciated on a declining balance basis at a rate of 30%. Heavy duty vehicles are depreciated on a straight-line basis over periods ranging from 8 to 10 years.

Buildings are depreciated on a declining balance basis at a rate of 5%.

(Stated in thousands of dollars except per share amounts)

Oil and gas properties are accounted for under the full cost method under which all costs of exploration and development of such properties are capitalized. These costs are depleted on the unit-of-production method based upon estimated proven reserves as determined by independent engineers. Capitalized costs are limited to estimated future net revenues determined using year end prices.

(e) Goodwill:

Goodwill is recorded at cost and amortized on a straight-line basis over 20 years. The recoverability of goodwill is assessed periodically based on estimated future cash flows.

(f) Post employment benefits:

The Corporation has entered into an employment agreement with a senior officer which provides for certain post employment benefits. Costs of these benefits are charged to earnings on a straight-line basis over ten years.

(g) Foreign currency translation:

Accounts of foreign operations, which are considered financially and operationally integrated, are translated to Canadian dollars using average exchange rates for the year for revenue and expenses. Monetary assets are translated at the year end current exchange rate and non-monetary assets are translated using historical rates of exchange. Gains or losses resulting from these translation adjustments are included in net earnings.

(h) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

2. Investments:

	1997	1996
Shares of Kenting Energy Services Inc. and Lynx Energy Services Corp., at cost	**$ 43,626**	$ –
Others, at cost	**4,519**	4,324
Others, at equity	**1,395**	–
	$ 49,540	$ 4,324

During the year ended April 30, 1996 the Corporation determined that it no longer exercised significant influence in an associated company. As a result, the Corporation changed its basis of accounting for the investment from equity to cost.

Years ended April 30, 1997 and 1996
(Stated in thousands of dollars except per share amounts)

3. Property, plant and equipment:

	Cost	Accumulated depreciation	Net book value
1997			
Rig equipment	**$ 186,748**	**$ 47,166**	**$ 139,582**
Rental equipment	**118,326**	**4,729**	**113,597**
Other equipment	**35,677**	**5,789**	**29,888**
Vehicles	**16,960**	**4,686**	**12,274**
Buildings	**17,554**	**1,991**	**15,563**
Oil and gas properties	**11,220**	**778**	**10,442**
Land	**7,157**	**–**	**7,157**
	$ 393,642	**$ 65,139**	**$ 328,503**
1996			
Rig equipment	$ 101,553	$ 36,230	$ 65,323
Other equipment	7,335	2,576	4,759
Vehicles	5,361	2,291	3,070
Buildings	2,968	1,447	1,521
Oil and gas properties	6,285	283	6,002
Land	1,283	–	1,283
	$ 124,785	$ 42,827	$ 81,958

Included in property, plant and equipment are assets with a net book value of $52,576 at April 30, 1997 ($7,315 at April 30, 1996) that are without tax basis. During 1996, the estimated life of drilling equipment was changed from 2,000 to 3,000 drilling days. The change in estimate resulted in a reduction of depreciation expense for 1996 of $2,300 and an increase in net earnings after income taxes of $1,265 ($0.15 per share) from what otherwise would have been reported had the change not been made. Depreciation and amortization for 1997 includes amortization of goodwill in the amount of $3,401.

Years ended April 30, 1997 and 1996

(Stated in thousands of dollars except per share amounts)

4. Long-term debt:

	1997	1996
Operating Loan	**$ 43,626**	$ –
Acquisition Loan	**70,000**	–
Project Term Loans	**9,604**	14,348
Capital lease obligations	**77**	45
	123,307	14,393
Less amounts due within one year	**27,002**	4,698
	$ 96,305	$ 9,695

The Corporation has a revolving demand operating loan facility ("Operating Loan") with a maximum availability in the amount of $245,000. The Operating Loan has been classified as long-term as it has been refinanced with long-term debt.

The Corporation financed a portion of the acquisition of EnServ Corporation with a non-revolving demand acquisition loan facility ("Acquisition Loan") in the amount of $70,000. The Acquisition Loan was fully repaid on November 29, 1996 with proceeds from the issue of 1,725,000 common shares for proceeds of $73,046. In January 1997, the Acquisition Loan was fully redrawn for the purposes of completing the acquisition of all of the issued shares of Brelco Drilling Ltd. and substantially all of the business assets of Ducharme Oilfield Rentals Ltd. and certain of its subsidiaries' business assets. Although the bank has the right to repayment of the Acquisition Loan upon demand, it is scheduled for repayment in six equal semi-annual installments commencing April 30, 1997. The Corporation has the option to prepay all or any portion of the Acquisition Loan from time to time without penalty. Any prepayment would be applied in inverse order of maturity to regularly scheduled payments.

Advances under the Acquisition Loan and Operating Loan can be drawn in either Canadian or U.S. funds. The loans bear interest at the bank's prime lending rate. Other interest rates which are available to the Corporation in respect of the loans are U.S. base rate, U.S. Libor rate plus 0.875% to 1% and bankers' acceptance rates plus stamping fee.

The Corporation financed the construction of five slant drilling rigs with demand loans ("Project Term Loans") bearing interest at the bank's prime lending rate plus 1/4%. Although the bank has the right to repayment upon demand, loan payments are scheduled for repayment in minimum monthly installments aggregating $390. The lender has the right, under specific security agreements, to receive the net proceeds from operations associated with each rig to be utilized as payment of each loan. Interest capitalized in connection with the construction of rig equipment in the amount of $28 (1996 - $424) has been credited to other interest expense.

The Acquisition Loan, Operating Loan and Project Term Loans, are all held with the same Canadian chartered bank and are secured by a General Security Agreement covering all the Corporation's personal property assets and a general assignment of book debts.

(Stated in thousands of dollars except per share amounts)

Capital lease obligations bear interest at fixed rates ranging from 7.0% to 11.5% and are secured by certain leased vehicles. The outstanding amounts may be terminated by defined notice.

Principal long-term debt repayments are as follows:

1998	$	27,002
1999		26,834
2000		25,598
2001		247

5. Share capital:

The authorized share capital of the Corporation consists of an unlimited number of preferred shares of no par value and an unlimited number of common shares of no par value. During 1997, the shareholders of the Corporation approved the amendment to the articles of the Corporation to delete the reference to Class A common voting shares and to redesignate them as common shares and to delete as authorized capital the Class B and Class C common shares.

The following is a summary of the changes in share capital:

	Issued		
	Common Shares		Amount
Balance, April 30, 1995	8,181,399	$	29,520
Options exercised	309,275		2,302
Issued for cash	2,100,000		45,150
Expenses of issue, net of related tax benefit of $770	–		(1,177)
Balance, April 30, 1996	10,590,674		75,795
Options exercised	217,221		2,657
Warrants exercised	250,000		3,813
Issued for cash	1,725,000		73,046
Expenses of issue, net of related tax benefit of $2,103	–		(2,518)
Issued on acquisition of EnServ Corporation	3,396,537		93,236
Issued on acquisition of the business assets of Ducharme Oilfield Rentals Ltd.	185,185		10,000
Balance, April 30, 1997	16,364,617	$	256,029

(Stated in thousands of dollars except per share amounts)

At April 30, 1997 the Corporation has stock options outstanding for 1,428,050 common shares under its equity incentive plans. The options become exercisable over four years in equal amounts and expire from time to time up to November 2002 at prices varying between $4.50 and $59.00 per share.

Details of options outstanding are as follows:

	Number of Shares	Exercise Prices ($)	Weighted Average Price ($)	Options Exercisable
Outstanding at April 30, 1995	768,332	2.25 - 16.00	10.18	189,101
Granted	228,500	13.00 - 23.12	16.97	
Exercised	(309,275)	2.25 - 15.00	7.47	
Cancelled or expired	(13,900)	4.30 - 15.00	12.79	
Outstanding at April 30, 1996	673,657	2.25 - 23.12	13.74	111,096
Granted	1,092,889	27.50 - 59.00	32.81	
Exercised	(217,221)	2.25 - 16.00	12.23	
Cancelled or expired	(121,275)	14.00 - 28.15	27.28	
Outstanding at April 30, 1997	1,428,050	4.50 - 59.00	27.35	141,530

6. Income taxes:

The provision for income taxes differs from that which would be expected by applying statutory rates. A reconciliation of the difference is as follows:

	1997	1996
Earnings before income taxes and minority interest	**$ 82,272**	$ 30,265
Income tax rate	**45%**	45%
Expected income tax provision	**$ 37,022**	$ 13,619
Add (deduct):		
Utilization of loss carryforwards	–	(1,694)
Losses of subsidiaries	**606**	275
Non-deductible expenses and other	**2,474**	932
Dividend income from taxable Canadian corporation	**(294)**	(171)
Income taxes at different rates in foreign jurisdiction	**105**	(460)
	$ 39,913	$ 12,501

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 1997 and 1996

(Stated in thousands of dollars except per share amounts)

7. Commitments:

The Corporation has commitments for operating lease agreements in the aggregate amount of $12,642. Annual payments over the next five years are as follows:

1998	$	3,924
1999		2,983
2000		2,179
2001		1,604
2002		1,068

Rent expense included in the statements of earnings is as follows:

1997	$	1,853
1996		476

8. Earnings and funds provided by operations per share:

Per share amounts have been calculated on the weighted average number of common shares outstanding. The weighted average shares outstanding for 1997 was 14,781,348 (1996 - 8,494,201).

Fully diluted per share amounts reflect the dilutive effect of the exercise of the options outstanding. Earnings on the funds which would have been received on exercise of the options have been imputed at 5% per annum (1995 - 6%).

9. Related party transaction:

The Corporation participates with a publicly traded company in a joint venture formed for the purposes of exploring and developing oil and gas properties. A director and officer of the Corporation has a minor interest in the joint venture. To April 30, 1997, the Corporation has advanced $10,464 (1996 - $4,964) to the joint venture.

10. Significant customers:

During 1997, the Corporation had two major customers from which is derived 16% of its revenue. In 1996, the Corporation derived 46% of its revenue from contracts with three major customers.

(Stated in thousands of dollars except per share amounts)

11. Acquisitions:

During 1997, the Corporation acquired all of the issued and outstanding shares of EnServ Corporation and Brelco Drilling Ltd., purchased all of the assets of Rostel Industries and substantially all of the business assets of Ducharme Oilfield Rentals Ltd. and the business assets of certain subsidiaries of Ducharme. The acquisitions have been accounted for by the purchase method with the results of operations of the acquired entities included in the financial statements from the respective dates of acquisition.

The details of the acquisitions are as follows:

	EnServ	Rostel	Brelco and Ducharme	Total
Date of acquisition	June 1, 1996	December 31, 1996	January 31, 1997	
Net assets acquired at assigned values:				
Working capital	$ 46,010 (a)	$ 1,522	$ 10,535 (b)	$ 58,067
Property, plant and equipment	120,247	6,352	88,156	214,755
Goodwill	74,008	800	–	74,808
Investments	–	–	297	297
Long-term debt	(107)	–	–	(107)
Deferred income taxes	(11,813)	–	(8,416)	(20,229)
	$ 228,345	$ 8,674	$ 90,572	$ 327,591
Consideration:				
Shares	$ 93,236	$ –	$ 10,000	$ 103,236
Cash	135,109	8,674	80,572	224,355
	$ 228,345	$ 8,674	$ 90,572	$ 327,591

(a) Includes cash of $9,000

(b) Includes bank indebtedness of $92

(Stated in thousands of dollars except per share amounts)

12. United States generally accepted accounting principles:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") which, in the case of the Corporation, conform with United States generally accepted accounting principles ("U.S. GAAP") in all material respects, except as follows:

Consolidated balance sheets

Under U.S. GAAP, asset values assigned in acquisitions of subsidiaries are required to be restated to pre-tax amounts resulting in higher property, plant and equipment book values with a corresponding increase in deferred income taxes. These differences are amortized to earnings over the lives of the remaining assets. The impact on the consolidated balance sheets is as follows:

	As reported	Increase	U.S. GAAP
April 30, 1997			
Property, plant and equipment	$ 328,503	$ 23,659	$ 352,162
Deferred income taxes	$ 39,554	$ 23,659	$ 63,213
April 30, 1996			
Property, plant and equipment	$ 81,958	$ 3,292	$ 85,250
Deferred income taxes	$ 12,809	$ 3,292	$ 16,101

Consolidated statements of earnings

The application of U.S. GAAP had no material effect on the reported amounts of net earnings under Canadian GAAP. Under U.S. GAAP earnings per share reflects the application of treasury stock method for outstanding options. The earnings per share data under U.S. GAAP is as follows:

	1997	1996
Primary	**$ 2.75**	$ 1.97
Fully diluted	**$ 2.74**	$ 1.94

U.S. GAAP requires the accrual of the expected costs of providing post-retirement benefits over the period in which employees are rendering their services in exchange for their benefits. The application of U.S. GAAP in this instance would not materially affect the Corporation's results of operations or financial position.

(Stated in thousands of dollars except per share amounts)

Consolidated statements of changes in financial position

Using U.S. GAAP, the following non-cash investing and financing activities are required to be excluded from the consolidated statement of changes in financial position:

	1997	1996
Investments:		
Acquisitions	$ 103,236	$ –
Financing:		
Issue of common shares	$ (103,236)	$ –

Bank indebtedness would not be included as a component of cash position. The change in bank indebtedness would be presented as a financing activity as follows:

	1997	1996
Change in bank indebtedness	$ 542	$ –

Dividend income would be presented as an operating activity rather than an investing activity.

The effect of these differences on the consolidated statement of changes in financial position is as follows:

	1997	1996
Operations:		
As reported	$ 77,580	$ 13,588
Effect of above differences	653	381
Under U.S. GAAP	$ 78,233	$ 13,969
Investments:		
As reported	$ (416,517)	$ (22,887)
Effect of above differences	102,583	(381)
Under U.S. GAAP	$ (313,934)	$ (23,268)
Financing:		
As reported	$ 286,938	$ 48,953
Effect of above differences	(102,694)	–
Under U.S. GAAP	$ 184,244	$ 48,953

Years ended April 30, 1997 and 1996
(Stated in thousands of dollars except per share amounts)

Supplementary disclosures required under U.S. GAAP are as follows:

	1997	1996
Cash interest paid	**$ 4,163**	$ 1,279
Cash income taxes paid	**$ 14,719**	$ 21,235
Components of change in non-cash working capital:		
Accounts receivable	**$ (16,095)**	$ (156)
Inventory	**(6,953)**	(1,276)
Accounts payable and accrued liabilities	**9,874**	(1,957)
Income taxes payable	**15,250**	(11,005)
Other	**–**	193
	$ 2,076	$ (14,201)

Additional disclosures required under U.S. GAAP are as follows:

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

	1997	1996
Accounts payable	**$ 33,846**	$ 12,161
Accrued liabilities:		
Payroll	**8,754**	2,826
Other	**23,549**	2,060
	$ 66,149	$ 17,047

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

	1997	1996
Deferred tax liabilities:		
Property, plant and equipment	**$ 66,187**	$ 16,871
Deferred tax assets:		
Loss carryforwards of subsidiaries	–	156
Share issue costs	**2,974**	770
	2,974	926
Valuation allowance	–	156
Net deferred tax liability	**$ 63,213**	$ 16,101

(Stated in thousands of dollars except per share amounts)

Stock Compensation:

Under Canadian GAAP, no compensation cost has been recognized for stock options in the financial statements. Under U.S. GAAP, the Corporation applied APB Opinion No. 25 in accounting for stock options and, accordingly, no compensation cost is recognized in earnings. The per share weighted average fair value of stock options granted during 1997 and 1996 was $15.58 and $8.35 on the date of grant using the Black Scholes option pricing model with the following weighted average assumptions: 1997 – risk free interest rate of 6.6%, expected life of 5 years and expected volatility of 40%, 1996 – risk free interest rate of 7.3%, expected life of 4 years and expected volatility of 40%.

Had the Corporation determined compensation cost based on the fair value at the date of grant for its stock options under SFAS 123, net earnings in accordance with U.S. GAAP would have decreased to $40,247 ($2.61 per share) and $17,330 ($1.95 per share) for the years ended April 30, 1997 and 1996 respectively. Pro-forma earnings reflect compensation cost amortized over the options' vesting period.

Acquisitions:

The following unaudited pro-forma consolidated statements of earnings information assumes that the acquisitions of EnServ Corporation, Brelco Drilling Ltd., Rostel Industries and Ducharme Oilfield Rentals Ltd. as set out in note 11 occurred as of May 1, 1995.

	Pro-forma Year Ended April 30	
	1997	1996
Revenue:		
Oilfield services	**$ 396,424**	$ 304,258
Industrial services	**134,722**	108,327
Total revenue	**$ 531,146**	$ 412,585
Net earnings	**$ 42,281**	$ 22,510
Earnings per share:		
Primary	**$ 2.67**	$ 1.80
Fully diluted	**$ 2.66**	$ 1.78

(Stated in thousands of dollars except per share amounts)

13. Segment information:

Prior to the acquisition of EnServ Corporation in June 1996, the Corporation's operations were essentially in one business segment. As a result of the acquisition, the Corporation operates in two industry segments (which are substantially in one geographic segment), oilfield services (which includes drilling services, well services, compression equipment sales and services and oilfield equipment rental services) and industrial services (which includes equipment rentals and other industrial process services), as follows:

	Year ended April 30, 1997		
	Oilfield Services	Industrial Services	Total
Revenue	$ 334,888	$ 120,149	$ 455,037
Operating earnings	69,720	15,838	85,558
Depreciation and amortization	18,773	6,406	25,179
Assets	508,013	94,825	602,838
Capital expenditures*	48,159	20,697	68,856

* *(excludes acquisitions)*

14. Subsequent events:

In May 1997, the Corporation acquired approximately 99% of the then issued and outstanding shares of Kenting Energy Services Inc. ("Kenting") pursuant to an offer to purchase (the "Offer to Purchase") all of the common shares of Kenting. The Offer to Purchase allowed Kenting shareholders to tender their shares for either cash, common shares of the Corporation or Series 4, Preferred Shares of the Corporation. On May 28, 1997, a wholly owned subsidiary of Kenting amalgamated with Lynx Energy Services Corp. ("Lynx") which at the time only included Cactus Drilling (a division of Lynx) and as a result an additional 7,300,000 common shares of Kenting were issued to the former shareholders of Lynx. The Offer to Purchase was extended to June 2, 1997 and the remaining shares of Kenting were acquired.

The total consideration paid in connection with the acquisition amounts to approximately $446,000 and is comprised of the following: $208,000 cash, 3,741,887 common shares of the Corporation and 4,805,134 Series 4, Preferred Shares of the Corporation. The net assets acquired at approximate values include the following: net current assets - $11,700; investments - $53,700; property, plant and equipment - $251,700; goodwill - $150,000; long-term debt - $14,400; and deferred income tax liability - $6,700.

The acquisition will be accounted for by the purchase method with the results of operations of the acquired entity included in the financial statements of the Corporation from the date of acquisition. For the purposes of the Offer to Purchase, the Corporation has created 16,484,000 Series 4, Preferred Shares. The Series 4, Preferred Shares have a par value of $9.10 each and are cumulative, redeemable, convertible with a dividend rate of $0.2275 per share per annum.

The Corporation filed a prospectus for the issue of unsecured debentures in the amount of $200,000 with an interest rate of 6.85% due June 2007, the proceeds of which were used to pay down bank borrowings drawn for the acquisition of Kenting. Prior to the issuance of the indebtedness, the Corporation purchased a forward interest contract which set the effective rate of interest on the debentures at 7.44%. The debentures were issued on June 26, 1997 and at the same time the General Security Agreement referred to in Note 4 was released by the bank. The bank will maintain specific security on the Project Term Loans related to the construction of rigs.

15. Financial instruments:

The carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short period to maturity of the instruments. The fair value of long-term debt approximates its carrying value as it bears interest at floating rates. Investments include marketable securities of which the carrying values approximate fair values.

STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Years ended April 30, 1988 – 1997

(Thousands of dollars except per share amounts)

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Revenue	**$ 455,037**	163,102	178,597	97,550	44,301	31,021	40,075	31,686	37,730	25,196
Expenses:										
Operating	**314,934**	111,798	122,419	68,083	30,970	23,396	31,496	24,672	30,171	18,667
General and administrative	**29,366**	12,278	12,070	8,809	4,269	3,548	3,885	3,884	3,593	2,281
Depreciation and amortization	**25,179**	7,736	9,800	4,982	2,209	1,717	1,459	1,165	1,396	564
Foreign exchange	–	671	19	–	–	–	–	–	–	–
Write-down of equipment	–	–	–	–	–	–	–	5,093	–	–
Interest long-term	**3,146**	727	1,196	330	389	620	582	1,065	1,367	–
Interest other, net	**793**	8	347	204	–	–	73	84	150	93
	373,418	133,218	145,851	82,408	37,837	29,281	37,495	35,963	36,677	21,605
	81,619	29,884	32,746	15,142	6,464	1,740	2,580	(4,277)	1,053	3,591
Forgiveness of long-term debt	–	–	–	–	–	–	–	5,150	–	–
Dividend income	**653**	381	718	–	322	498	–	–	–	–
Earnings before taxes and minority interest	**82,272**	30,265	33,464	15,142	6,786	2,238	2,580	873	1,053	3,591
Income taxes:										
Current	**31,294**	9,831	14,916	3,793	1,520	44	27	18	–	–
Deferred (recovery)	**8,619**	2,670	1,431	3,340	1,480	900	1,167	(31)	496	1,811
	39,913	12,501	16,347	7,133	3,000	944	1,194	(13)	496	1,811
Earnings before minority interest	**42,359**	17,764	17,117	8,009	3,786	1,294	1,386	886	557	1,780
Minority interest	–	196	231	8	45	–	–	–	–	–
Net earnings	**42,359**	17,568	16,886	8,001	3,741	1,294	1,386	886	557	1,780
Retained earnings, beginning of year	**54,999**	37,431	20,724	12,723	8,982	7,997	6,611	5,725	5,168	3,388
Adjustment on purchase and cancellation of share capital	–	–	(179)	–	–	(309)	–	–	–	–
Retained earnings, end of year	**$ 97,358**	54,999	37,431	20,724	12,723	8,982	7,997	6,611	5,725	5,168
Earnings per share - Basic	**$ 2.87**	2.07	2.06	1.02	0.63	0.23	0.24	0.16	0.10	0.38
- Fully Diluted	**$ 2.71**	1.91	1.88	n/a	n/a	n/a	n/a	n/a	n/a	n/a

ADDITIONAL SELECTED FINANCIAL DATA

Years ended April 30, 1988 – 1997

(All dollar amounts are stated in thousands of dollars except per share amounts)

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Returns										
Return on Sales [1]	**9.3%**	10.8%	9.5%	8.2%	8.4%	4.2%	3.5%	2.8%	1.5%	7.1%
Return on Assets [2]	**7.0%**	10.0%	14.2%	8.0%	9.7%	4.5%	4.4%	3.2%	1.8%	17.7%
Return on Equity [3]	**12.0%**	13.4%	25.2%	16.0%	17.0%	8.6%	9.7%	7.0%	4.8%	26.9%
Financial Position ($)										
Working capital	**39,796**	67,016	8,354	3,335	6,173	4,472	4,583	3,787	2,481	3,874
Current ratio	**1.35**	4.01	1.21	1.11	1.69	2.01	1.62	1.53	1.34	2.99
Net fixed assets	**328,503**	81,958	66,798	64,776	22,266	19,050	18,704	15,711	20,777	3,878
Total assets	**602,838**	175,567	119,055	100,629	38,564	28,661	31,419	27,415	31,229	10,043
Long-term debt	**123,307**	14,393	10,752	17,050	2,407	6,170	8,943	6,250	11,400	–
Shareholders' equity	**353,387**	130,794	66,951	50,146	22,065	15,111	14,278	12,724	11,675	6,618
Total long-term debt to shareholders' equity	**0.35**	0.11	0.16	0.34	0.11	0.41	0.63	0.49	0.98	–
Net capital additions including acquisitions	**372,251**	23,135	11,822	47,492	5,425	2,063	4,452	1,074	985	502
Gross margin	**140,103**	51,304	56,178	29,467	13,331	7,625	8,579	7,014	7,559	6,529
Gross margin - % of sales	**30.8%**	31.5%	31.5%	30.2%	30.1%	24.6%	21.4%	22.1%	20.0%	25.9%
Cash flow [4]	**76,157**	28,170	28,348	16,331	7,475	3,911	4,012	1,963	2,449	4,155
Cash flow per share	**5.15**	3.32	3.46	2.08	1.25	0.69	0.70	0.35	0.44	0.88
Depreciation and amortization	**25,179**	7,736	9,800	4,982	2,209	1,717	1,459	1,165	1,396	564
Common Share Data										
Book value per share ($) [5]	**23.91**	15.40	8.17	6.37	3.69	2.65	2.48	2.27	2.12	1.40
Earnings per share ($) [6]	**2.87**	2.07	2.06	1.02	0.63	0.23	0.24	0.16	0.10	0.38
Price Earnings Ratio [7]	**16.88**	12.32	6.74	16.1	16.1	9.8	10.4	17.4	19.8	–
Weighted average common shares outstanding (000's)	**14,781**	8,494	8,199	7,869	5,972	5,696	5,748	5,609	5,508	4,724

(1) Return on Sales was calculated by dividing net earnings by total revenues.
(2) Return on Assets was calculated by dividing net earnings by total year-end assets.
(3) Return on Equity was calculated by dividing net earnings by total shareholders' equity.
(4) Funds provided from operations excluding forgiveness of debt for 1990 and funds provided from operations combined with dividend income.
(5) Book value per share was calculated by dividing shareholders' equity by total weighted average number of common shares outstanding.
(6) Earnings per share was calculated by dividing net earnings by the weighted average number of common shares outstanding.
(7) Year-end closing price divided by earnings per share.

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Calgary, Alberta

Brian E. Roberts (1) (3)
Calgary, Alberta

Hank B. Swartout
Calgary, Alberta

Ronald G. Winkelaar (1) (3)
Calgary, Alberta

(1) Audit Committee Member
(2) Compensation Committee Member
(3) Corporate Governance Committee Member

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Chairman of the Board,
President & Chief Executive Officer

Arthur E. Dumont
Chief Operating Officer

Dale E. Tremblay
Senior Vice President, Finance
& Chief Financial Officer

Larry P. Coston
Senior Vice President, Marketing

W.B.G. (Bruce) Herron
Senior Vice President, Services Group

Hugh W. Strain
Senior Vice President, Canadian Drilling

J. Blair Goertzen
Vice President & General Manager,
Well Services Limited Partnership

Alexander T. Lemmens
Vice President, Corporate Development

Derek C. Martin
Vice President, General Counsel
& Corporate Secretary

M.J. (Mick) McNulty
Vice President, Finance

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Smoky Oilfield Rentals

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John Jacobsen
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Columbia Oilfield Supply Ltd.

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Calgary, Alberta

LEGAL COUNSEL

Howard, Mackie
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KPMG
Calgary, Alberta

TRANSFER AGENT AND REGISTRARS

Montreal Trust Company of Canada
Calgary, Alberta

Bank of Nova Scotia Trust Company of New York
New York, New York

STOCK EXCHANGES

The Toronto Stock Exchange
Trading Symbol: PD
The New York Stock Exchange
Trading Symbol: PDS

TRADING PROFILE - TORONTO

May 1, 1996 to April 30, 1997
High: $67.50 Low: $25.50
Volume Traded - 18.6 million

TRADING PROFILE - NEW YORK

November 15, 1996 to April 30, 1997
High: US$50 $^3/_8$ Low: US$30 $^3/_8$
Volume Traded - 8.3 million

PUBLISHED INFORMATION

Annual Information Form
as of April 30, 1997

Estimated Interim Release Dates

1998 First Quarter: September 25, 1997
1998 Second Quarter: December 19, 1997
1998 Third Quarter: March 26, 1998

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