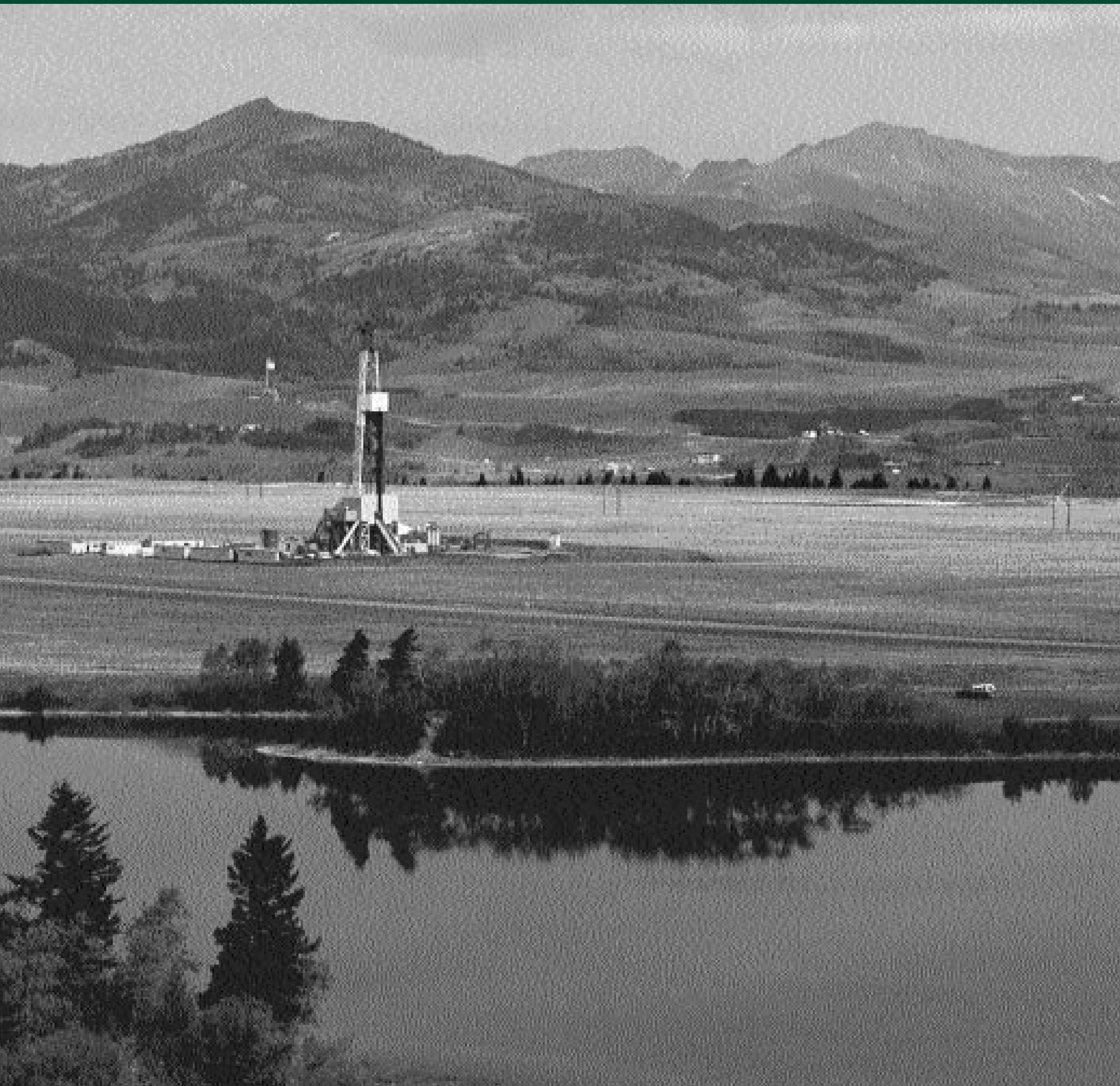
Precision



Precision Drilling Corporation
1998 Annual Report

Precision Drilling Corporation

What sets Precision apart from other integrated oilfield service firms? Precision prides itself on the superior quality of its people, equipment and services which have allowed the Corporation to maintain its standing as Canada's most active integrated oilfield service contractor. Management is both knowledgeable about and intimately involved in the operations of each of the separate business units, ensuring the entire Corporation operates under the same values with the same expectations of excellence.

Precision's senior management team has remained stable over its history and will maintain a strategy of growth into the future. Employees are motivated, loyal and valued members of the team. Promotion from within ensures stability, trust and the continuance of Precision's core values and beliefs.

The proof of the Corporation's success is evidenced in the enormous growth experienced over the past several years, particularly in 1997. The ability to forge ahead into new businesses is one of the foundations underpinning Precision's remarkable success.

A series of strategic acquisitions over the past several months has again propelled Precision forward into a new era which will allow it to offer an even wider range of oilfield services. These acquisitions provide new international opportunities for Precision in the field of underbalanced drilling technology, an exciting worldwide growth area.

Precision is committed to training, safety and environmental protection. The Corpoation's vision and focus remains on providing the best in its core drilling business as well as rental and production services and oilfield specialty services.

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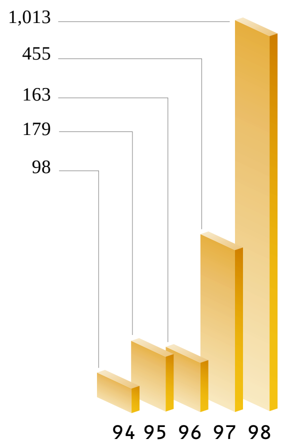
1998 Annual Report

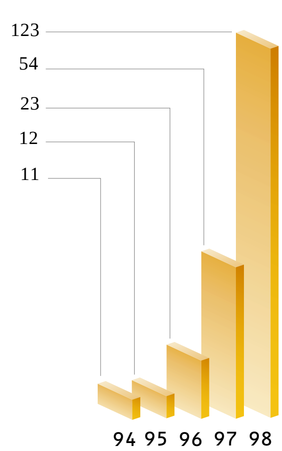
This Annual Report contains forward-looking statements based upon current expectations that involve a number of business risks and uncertainties. The factors that could cause results to differ materially include, but are not limited to, national and regional economic conditions, oil and gas prices, weather conditions and the ability of oil and gas companies to raise capital or other unforeseen conditions which could impact on the use of services supplied by the Corporation.

Comparative Performance Data

GROSS REVENUE
Millions of dollars



NET CAPITAL ADDITIONS
Millions of dollars



FINANCIAL PERFORMANCE SUMMARY

	Years ended April 30,		
(Stated in thousands of dollars except per share amounts)	1998	1997	% Change
Revenue	1,012,503	455,037	+ 123
Operating earnings	261,165	85,558	+ 205
Cash flow (1)	289,472	76,157	+ 280
Per share	6.97	2.58	+ 170
Net earnings	117,525	42,359	+ 177
Per share	2.82	1.44	+ 96
Shareholders' equity	696,570	353,387	+ 97
Per share	16.78	11.96	+ 40
Net capital expenditures (2)	123,037	53,568	+ 130
Long-term debt	214,554	96,305	+ 123
Average number of shares outstanding (000's)	41,517	29,563	+ 40
Return on shareholders' equity (%)	16.9	12.0	
Volume of shares traded (000's) (3)	52,991	37,279	+ 42
Average price per share (3)	32.15	21.30	+ 51

QUARTERLY RESULTS SUMMARIES

(Stated in thousands of dollars except per share amounts)	Q1	Q2	Q3	Q4	1998
Revenue	223,387	255,433	295,250	238,433	1,012,503
Operating earnings	48,606	70,719	78,939	62,901	261,165
Cash flow (1)	42,216	88,612	92,383	66,261	289,472
Per share	1.02	2.13	2.22	1.60	6.97
Net earnings	24,151	31,381	34,701	27,292	117,525
Per share	0.59	0.75	0.83	0.65	2.82

(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
Operating earnings	12,498	20,832	23,117	29,111	85,558
Cash flow (1)	11,192	15,940	20,358	28,667	76,157
Per share	0.43	0.56	0.68	0.91	2.58
Net earnings	6,835	10,299	11,707	13,518	42,359
Per share	0.26	0.37	0.39	0.42	1.44

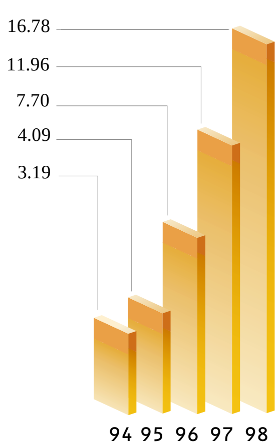
(1) Funds provided by operations combined with dividend income
(2) Excludes acquisitions
(3) Relates only to shares traded on The Toronto Stock Exchange

Comparative Performance Data

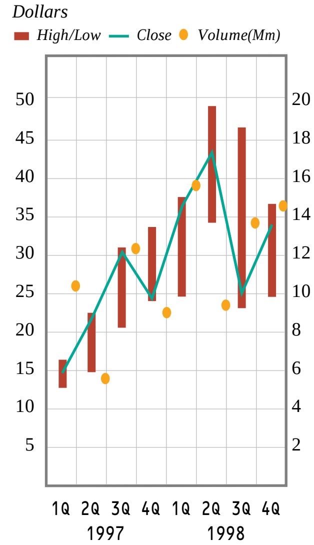
DRILLING PERFORMANCE SUMMARY

	Years ended April 30, 1998			1997			% Change	
	Precision	Industry	Market Share	Precision	Industry	Market Share	Precision	Industry
Number of drilling rigs	207	574	36.1%	101	468	21.6%	105.0%	22.6%
Number of operating days (spud to release)	51,156	129,237	39.6%	20,448	105,192	19.4%	150.2%	22.9%
Wells drilled	6,067	15,666	38.7%	3,428	14,144	24.2%	77.0%	10.8%
Metres drilled (000's)	7,589	18,629	40.7%	3,661	15,607	23.5%	107.3%	19.4%
Rig utilization rate	69.2%	68.7%		63.6%	62.7%			

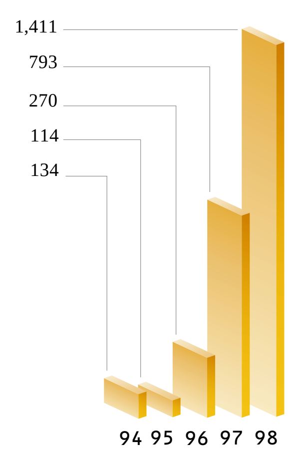
SHAREHOLDERS' EQUITY
Dollars per share



SHARE TRADING HISTORY
Dollars



VALUE OF SHARES OUTSTANDING
Millions of dollars



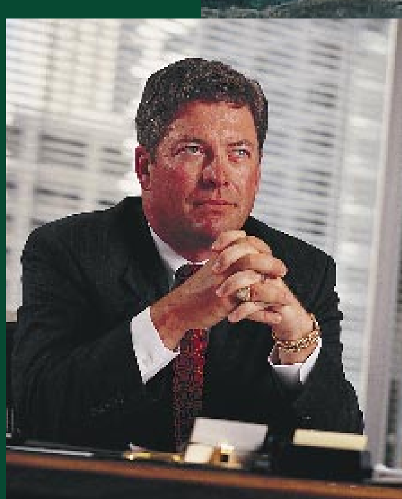
SHARE TRADING SUMMARY (1)

	High ($)	Low ($)	Close ($)	Volume of shares	Value ($)
1997					
July 31, 1996	16.50	12.75	14.75	10,454,098	149,937,971
October 31, 1996	22.50	14.63	21.75	5,602,100	97,882,422
January 31, 1997	31.00	20.50	30.45	12,359,256	302,843,730
April 30, 1997	33.75	24.05	24.23	8,863,242	243,376,175
	33.75	12.75	24.23	37,278,696	794,040,298
1998					
July 31, 1997	37.68	24.20	36.50	15,683,572	482,782,933
October 31, 1997	49.50	34.25	43.45	8,950,580	366,444,320
January 31, 1998	46.70	23.00	24.90	13,725,501	444,016,875
April 30, 1998	36.75	24.60	34.00	14,631,747	410,646,533
	49.50	23.00	34.00	52,991,400	1,703,890,661

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

"We are now one of the dominant players in the drilling and service side of the Canadian wellsite business. We are committed to quality service and strict cost control. Our team has never been stronger and we have never enjoyed this many avenues of growth."

Hank Swartout,
Chairman of the Board,
President and
Chief Execurive Officer



Report to Shareholders

Fiscal 1998 was a banner year for Precision Drilling Corporation, a year in which we not only successfully merged five different drilling companies into a single unit but also turned in the best financial results in our history. We strengthened considerably our drilling segment through the acquisition of Kenting Drilling and Cactus Drilling in mid-1997, followed by a very speedy integration of all drilling operations into a single division.

This impressive accomplishment could not have been achieved without an incredible amount of hard work and sacrifice by our highly motivated and talented staff. Many people worked long hours under difficult circumstances to facilitate the change in our existing structures.

Our Rental and Production Services division achieved record-breaking performance throughout the year. Growth through acquisition increased market share and with new product lines, contributed considerably to this accomplishment. Representing approximately 26% of our total revenues, this group counterbalances the sometimes cyclical nature of our core drilling business.

In fiscal 1998, revenue jumped to more than $1 billion from $455 million in 1997. Cash flow climbed 280% to nearly $290 million, or almost $7.00 per share. Earnings soared to $118 million compared to $42 million in the previous year. Net earnings on a per share basis almost doubled from $1.44 in 1997 to $2.82 in the current year.

However, we must be cognizant that fiscal 1998 was an unusual year. Not only were we a larger and stronger company, the entire industry was riding the crest of record drilling and land buying activity, which contributed to our own record-breaking performance. The Corporation must face the reality of a changed world as we enter fiscal 1999. The oil business is in the midst of a severe downturn in commodity prices. Some of our customers' cash flows have been drastically reduced, leading to cuts in their drilling programs. These cutbacks mean some of our oilfield-related divisions will also have a slower year.

The good news going forward is that Precision is well-prepared for a slowdown. Immediately following the Kenting/Cactus acquisition, the Corporation completed a Canadian debenture issue which provided $200 million in 10-year financing, marking the first time a "BBB" rated oilfield service company bond was sold exclusively in Canada. The timing on this proved to be favourable with the interest rate locked in for a 10-year period at an effective rate of 7.44%. Precision is now in better shape than ever before to weather commodity-price related storms.

As we enter the second quarter of fiscal 1999, the outlook begins to look more upbeat due to continuing strong fundamentals. Even though oil prices remain low, both the Canadian Association of Petroleum Producers and the Canadian Association of Oilwell Drilling Contractors predict more than 12,000 wells will be drilled in Canada this year. Although this is down from more than 16,000 in 1997, it would be one of the highest well counts in Canadian history.

Report to Shareholders

A movement towards deeper drilling this year should boost the average drilling days per well by about 10% to around nine days. This shift in drilling targets is an indication that the industry remains robust particularly on the natural gas side. Canadian gas has never been in greater demand south of the border and new export pipeline capacity will require a great deal of natural gas to fill it.

Our deep rigs, many of which were acquired through recent acquisitions and were bought at substantially reduced prices compared to their replacement value, are proving to be the strongest performers in that market. Precision's deep rigs now account for more than 50% of the deep rig market in Canada.

Focusing on Precision's future

Hank Swartout, President and Blair Goertzen, Senior Vice President Business Development

In the first quarter of fiscal 1999, Precision acquired all of the issued and outstanding shares of both Northland Energy Corporation and Inter-Tech Drilling Solutions Ltd. Northland is a leader in the worldwide application of underbalanced drilling technology, a technology which has proven to be extremely successful in the development of mature oil and gas fields. Inter-Tech provides the Rotating Blow-Out Preventer (RBOP™), which is used in controlling surface pressure during underbalanced drilling.

Underbalanced drilling technology services are increasing in demand around the world, and will have significant growth over the next three to five years as the technology gathers acceptance and the extent of formation damage from using conventional drilling methods is recognized. The acquisitions of both Northland and Inter-Tech position Precision advantageously for strong growth both domestically and internationally.

Canada will remain the core of our business, but we must expand our horizons to obtain further growth. We will continue to enhance shareholder value and ensure this expansion is strategic and long-term in vision. We anticipate continued global consolidation of the oilfield service sector, and we expect to play a significant part in that consolidation.

We have also made decisions which will carry our contract drilling business into the future. Our nine versatile Super Singles (slant rigs) which were manufactured for heavy oil development are now focusing on conventional vertical drilling. These rigs, recognized as some of the most advanced automated drilling rigs in the world today, are capable of drilling 2,200 metres with a single Poly Diamond Crystal bit without having to trip out of the hole. In addition, the introduction of our technology to the Petrozuata project in Venezuela has already had a dramatic impact with a number of drilling records being set.

We also place a great deal of emphasis on enhanced training for the entire Corporation. Over the spring, we spent $2 million training approximately 2,000 personnel with courses ranging from one-day updates to three to five days intensive management instruction. Our state-of-the-art training facilities feature classroom orientation and instruction on a unique simulated drilling floor.

Meanwhile, our Rental and Production Services' strong financial performance is expected to improve even further going forward. This segment is largely non-drilling related and with a couple of exceptions remains generally unaffected by oil prices. These businesses expect another healthy year. Energy Industries is bringing on-stream a new facility and has an order backlog significantly greater than last year. Certified Rentals is now located in five provinces from British Columbia to Ontario and has increased its branches from 10 to 14 following the Wyatt acquisition in June 1998. It is worth noting that competitive public companies in both the rental and gas compression industries currently trade in excess of 20 times earnings compared to Precision's current multiple of 10.

We take great pride in the operational excellence demonstrated in all aspects of our business, from oilfield services to rental activities, and from compression to industrial services. We are now one of the dominant players in the drilling and service side of the Canadian wellsite business and we are committed to quality of service and strict cost control.

OUTLOOK

The current year is shaping up to be a challenging year for the Canadian oilpatch. We can neither control nor predict commodity prices, nor can we affect the pace of activity our customers are able to keep up.

Nevertheless, Precision is well prepared going forward – we have put in place long-term financing, we are diversifying our operations internationally, we are concentrating on natural gas drilling capabilities and we continue to look at merger and acquisition opportunities.

We want to congratulate all employees throughout the Precision organization on an excellent year. Our team has never been stronger and we have never enjoyed this many avenues for growth.

We remain optimistic about the long-term fundamentals of the oil and gas industry, given increasing energy needs in North America and the continued decline in reserves. While we have battened down the hatches for the near future, we expect the storm to pass and activity levels to return to robust levels once again within the next couple of years.

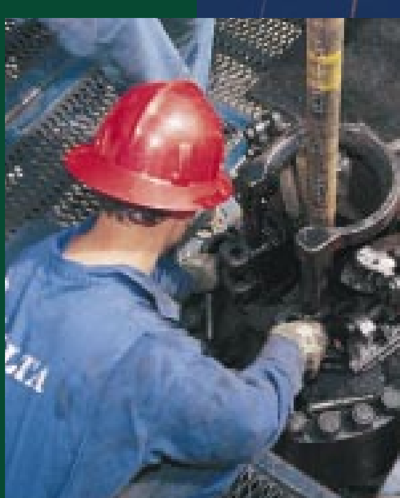
(signed)

Hank B. Swartout
Chairman of the Board, President and Chief Executive Officer

July 28, 1998

Precision now operates three business units:

Contract Drilling,
Oilfield Specialty
and Rental and
Production Services

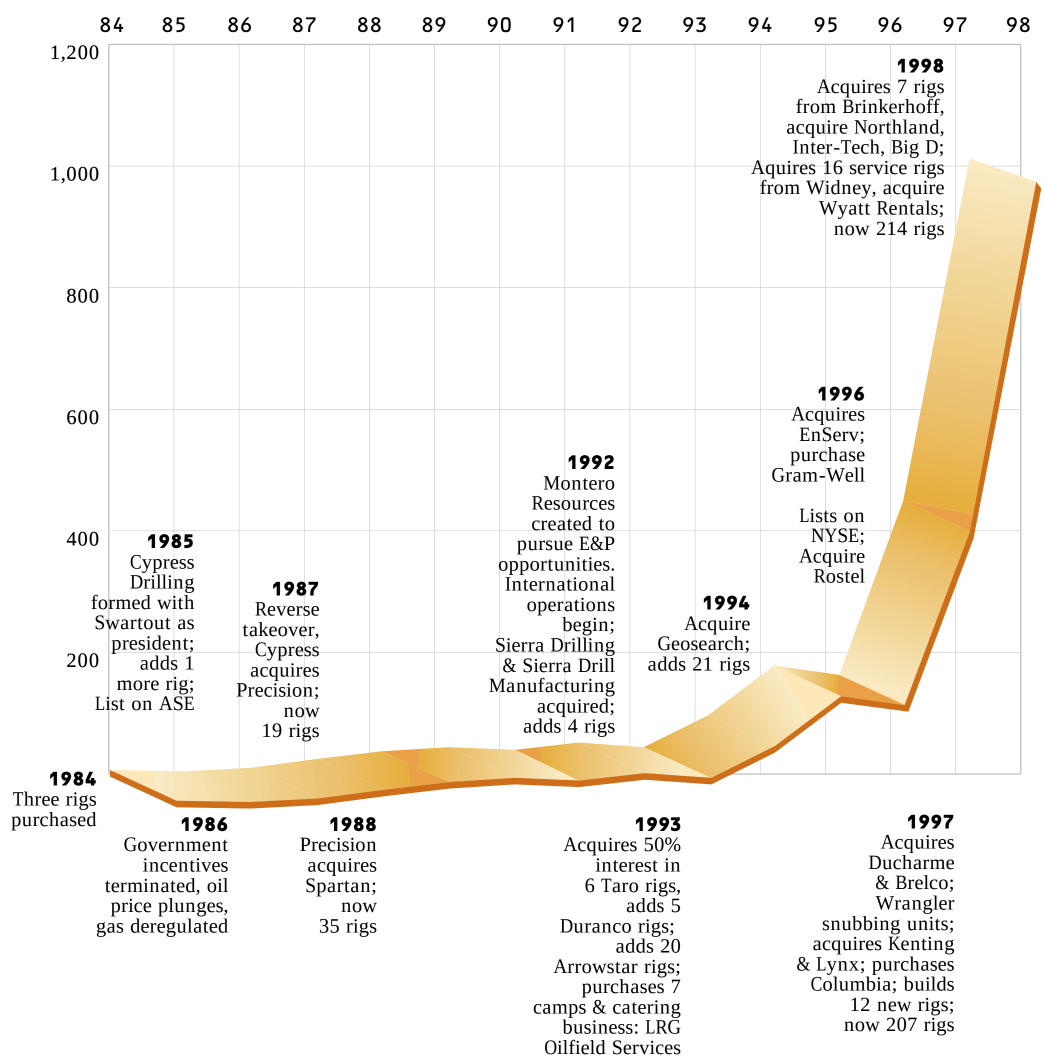


Service rig operations in southern Alberta

Fiscal 1998 marked the dawn of a new era for Precision Drilling Corporation as it embarked on an exciting, more widely diversified course. Following the successful acquisition of a number of oilfield services companies, Precision is now considered Canada's leading oilfield and industrial services company.

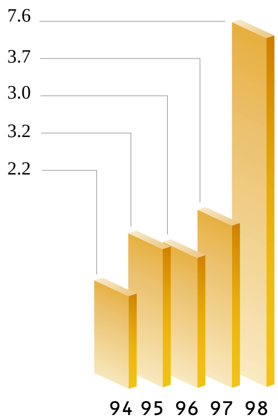
Our achievements in 1998 built on the successful acquisitions of several companies, resulting in incredible growth and the creation of a new Oilfield Specialty Services division. The acquisition of Kenting Energy Services Inc. and Lynx Energy Services Corp. — Cactus Drilling, completed in June 1997, doubled the size of the Contract Drilling Services segment, adding 94 drilling rigs, 34 camps, two operating facilities and related equipment.

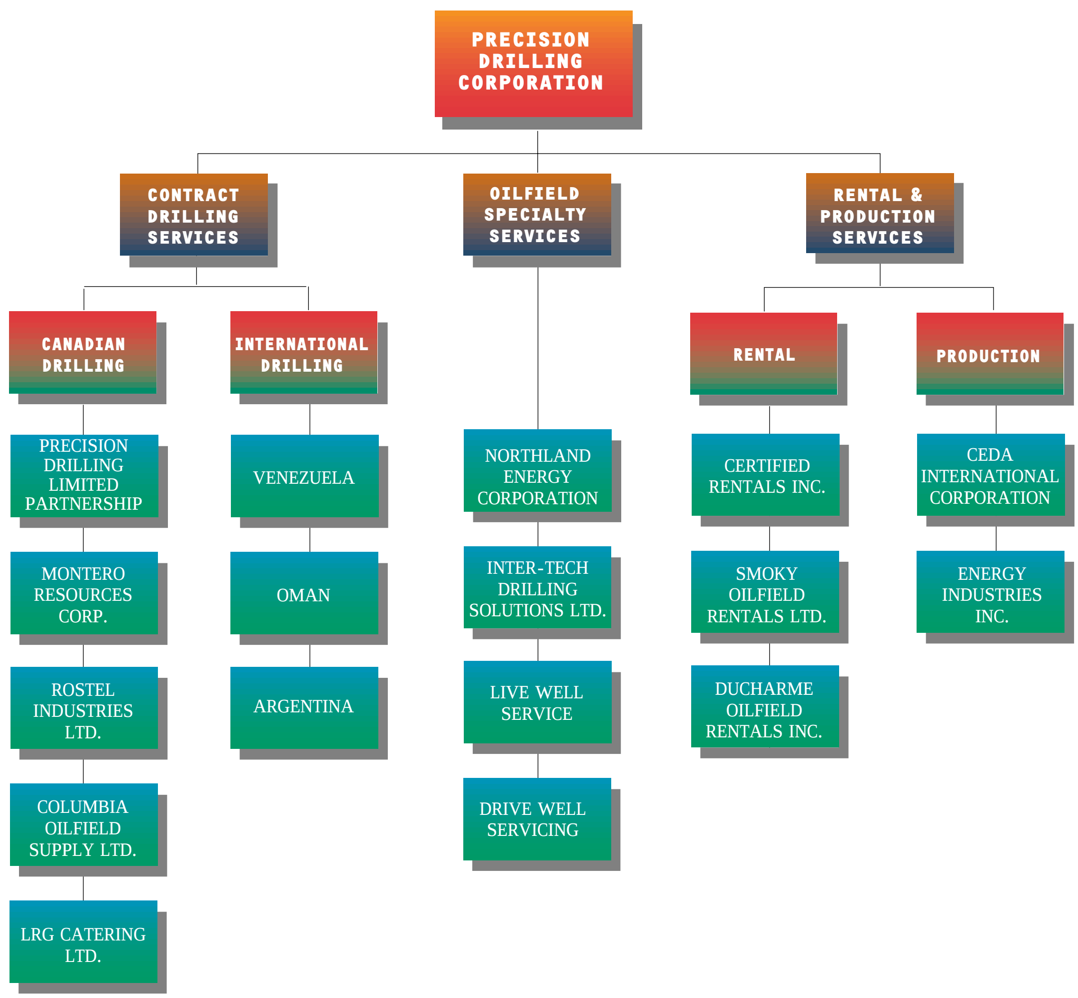
REVENUE 1984 — 1998 & HISTORICAL OVERVIEW
Millions of Dollars



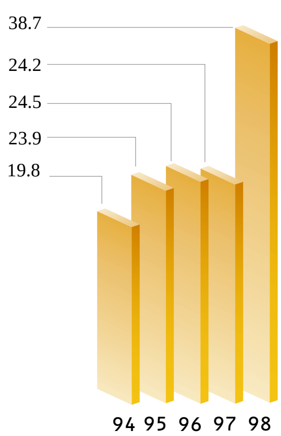
The acquisition activity didn't stop there. In May 1998, Precision completed the purchase of Northland Energy Corporation, a leading worldwide provider of underbalanced drilling technology. This noteworthy achievement was followed by the announcement of an agreement to acquire all of the outstanding common shares of Inter-Tech Drilling Solutions Ltd., a deal which closed in June 1998. Inter-Tech owns and markets the Rotating Blowout Preventer (RBOP™), a proprietary well control tool used to control surface pressure during underbalanced drilling. Together these acquisitions result in Precision being able to provide a complete underbalanced drilling package on a worldwide basis.

METRES DRILLED
Millions





MARKET SHARE
Wells Drilled — Percent



Other acquisitions included the purchase of seven conventional drilling rigs from Brinkerhoff, 16 service rigs from Widney and the rental operations of Wyatt. All of the acquired companies complement Precision's existing businesses, and will further establish Precision's standing as a world leader in the provision of oilfield and industrial services.

CONTRACT DRILLING SERVICES

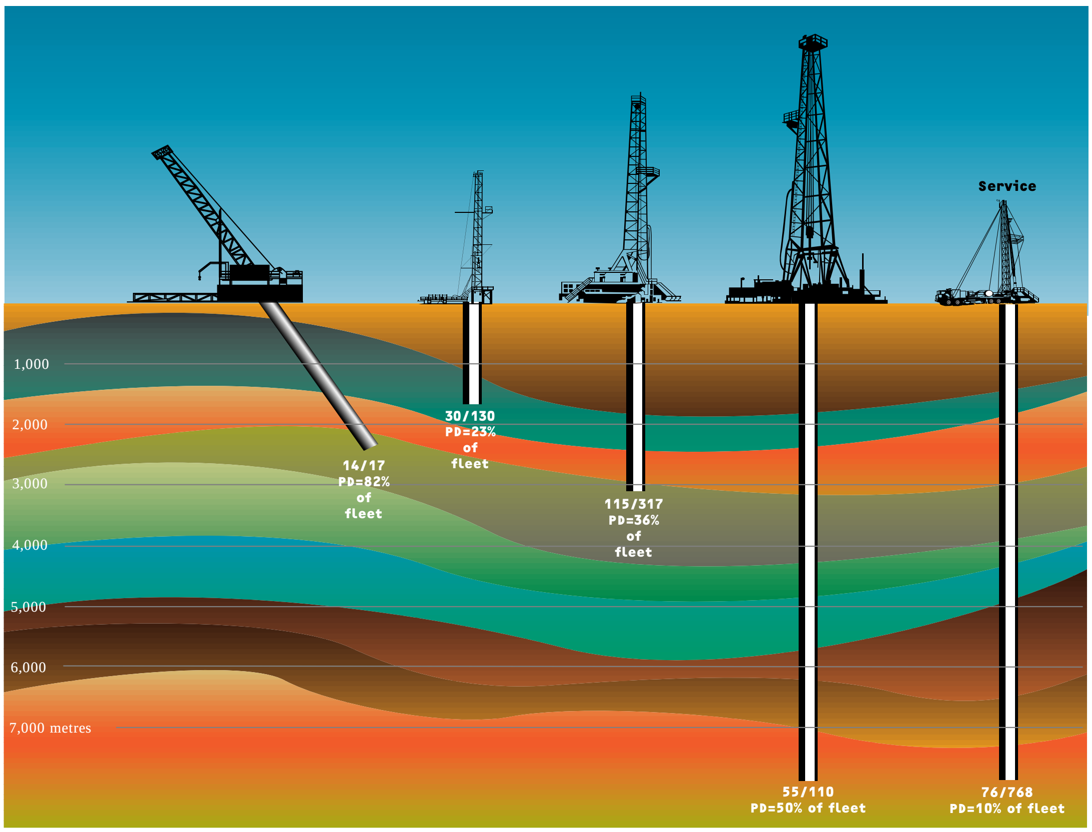
Contract drilling comprises three groups, Canadian Drilling, Support Services and International Drilling.

Canadian Drilling

Precision's contract drilling division faced a difficult yet highly satisfying year in fiscal 1998. The activities of the drilling entities Brelco, Sedco, Kenting and Cactus have been consolidated with Precision's own drilling division to form a single legal entity and business group called the Precision Drilling Limited Partnership

("PDLP"). The consolidation of the four newly acquired drilling service companies was accomplished during a period of very high rig utilization, under the direction of Dwayne Peters, Senior Vice President, Larry Coston, Vice President Marketing, John Jacobsen and Gord Skulmoski, Vice Presidents Operations.

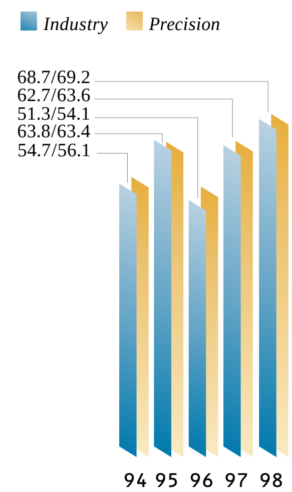
Number of Rigs & Drilling Depth Capacity (CAODC)



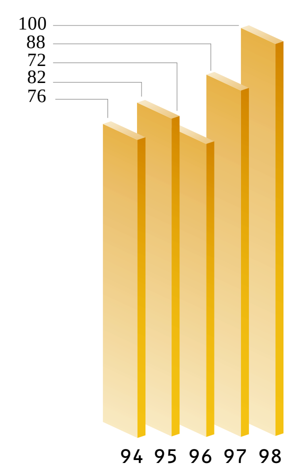
Rigs	Slant		Conventional		Service
Metres	1,250 -2,500	950 – 1,850	1,851 – 3,050	3,051 – 7,600	950 – 7,600
Precision	14	30	115	55	76
Industry	17	130	317	110	768
Percentage (PD)	82%	23%	36%	50%	10%

Rigs	Slant		Conventional		Service
Precision	8	19	45	12	49
Additions:					
Brelco	–	–	6	11	–
Kenting/Sedco/Cactus	–	11	54	29	–
Brinkerhoff	–	–	5	2	–
Widney	–	–	–	–	16
Construction	6	–	5	1	11
Total	14	30	115	55	76

RIG UTILIZATION RATE
Percent



INDUSTRY SERVICE RIG UTILIZATION RATES
Percent



Review of Operations

To affect the necessary organizational change, Precision relied upon core values and vision to guide decision making. PDLP's growth and financial success is patterned on a few fundamental principles:

- Adherence to a strategy of premium quality people and equipment;
- Management focus on financial systems and long term strategic planning with a commitment to training, safety and the environment;
- Preservation and enhancement of an environment whereby PDLP employees are free to focus on customers in their day-to-day activities.

Precision's record drilling performance of 6,067 wells represented by 7.6 million metres was led by:

A dramatic redefinition of the management and organization structure was made during the year relying on a clear vision and focused decision making, that concentrated on customer needs. The process to achieve desired goals was characterized by openness, accountability, patience, and mutual respect through an evolutionary process that was accomplished swiftly and with minimal impact on the service delivered to the customer.

John Jacobsen,
Vice President Operations
and Dwayne Peters,
Senior Vice President
Operations

PDLP operates a fleet of 214 drilling rigs within one market: the Western Canadian Sedimentary Basin. This presents a challenge unrivaled anywhere else in the world but provides an opportunity to achieve economies and integration that will deliver "best and better" service to our customers.

Safety and Training

PDLP is proud of its strong emphasis on training. Due to a labour shortage of experienced and skilled field workers in fiscal 1998, PDLP strengthened its commitment to training initiatives and the development of its valuable human resources. During spring break-up, some 2,000 employees, or nearly 50% of the work force, participated in training seminars and rig manager meetings.

PDLP operates under the creed "Safety is the critical component to performance." The safety department continually strives to meet increasingly strict standards through its involvement in safety partnerships with government, operators and industry, as well as field support and external industry safety audits.

PDLP continues to maintain a Lost Time Accident (LTA) frequency below the industry average due to a shared commitment towards safety by management and field personnel. PDLP completed calendar 1997 with a 2.32 LTA frequency and the first quarter of calendar 1998 with a 1.47 LTA frequency rate.

A recent restructuring of the Safety Department has provided the four Operation Support Centres with two safety professionals per centre led by a single Safety Manager. The structure will complement the standardization process by allowing a more proactive presence by the Safety Department in the field.

On the training side, innovative new methods of meeting today's training needs are being employed, including a new employee training centre and extensive spring training for supervisors. Over 1,000 personnel have completed training sessions for Fall Protection at rig sites in 1997/98. This process is continuing into the current year, providing field personnel with the equipment and expertise to protect themselves from the hazards associated with falls.

The development of the Precision Drilling Training Facility in the Edmonton area has provided a venue for ongoing training and development needs. Training facilities include a rig floor simulator designed to provide prospective new employees with hands-on experience in safe work procedures on the rig floor.

Drilling Rig Activity

Looking back to calendar 1997, this was an outstanding year for Precision's drilling division, highlighted by record western Canadian drilling activity which taxed rig availability to the limit. Activity boomed on the strength of robust industry cash flow, new equity financing, low interest rate debt, future pipeline expansion expectations and innovative financings, including flow-through shares and royalty trusts.

Precision fabricates and repairs much of its own equipment

Review of Operations

Racing to keep up with record demands from oil and gas companies, the contract drilling industry operated at maximum capacity during fiscal 1998. The hectic pace continued even through the traditionally slower spring break-up period in 1997. PDLP's own performance continued to set records. The partnership was again Canada's busiest driller with a total of 6,067 wells drilled in fiscal 1998, or 39% of all wells drilled, up 77% from the 3,428 wells drilled in fiscal 1997.

PDLP's total metres drilled also leaped in 1998 by 107% to 7.6 million metres from 3.7 million in fiscal 1997, an increase in industry share to 41% from 24%.

Investment

During Precision's fiscal year, the contract drilling industry expanded its western Canadian rig fleet by 23%

COLUMBIA'S WAREHOUSES SERVE AS GENERAL SUPPLY STORES TO THE OILFIELD SERVICE INDUSTRY

to 574 rigs from 468, rebuilding infrastructure to a level last seen in the late 1980's. PDLP's drilling fleet doubled in size to 207 by the end of fiscal 1998 and now stands at 214, incorporating 88 triples, 97 doubles, 15 singles and 14 slant rigs, nine of which are classified as Super Singles capable of drilling to 2,200 metres in the vertical mode. PDLP now operates approximately 37% of the total industry fleet.

Recently constructed rigs consist of six Super Single rigs, five telescopic doubles (capable of drilling to a maximum depth of 2,400 metres) and one heavy triple. The additions complement existing rig capabilities and significantly add to the number of Super Single rigs. These rigs excel in conventional drilling as well as specialty drilling applications such as heavy oil.

On a global basis over the past decade, quality used equipment inventories have been essentially eliminated. Contracts must increasingly be fulfilled with either new or refurbished equipment at much higher cost. New rig fleet expansion will be expensive compared to the prior 15 years since rig values have been low due to the previous worldwide glut of drilling equipment.

PDLP's capital investment increased in fiscal 1998 by $318.7 million to $488.9 million in fixed assets. This is due mainly to the Kenting acquisition and a further $85.7 million investment in new rig construction and existing rig upgrades.

In terms of new technology, PDLP has demonstrated an ongoing commitment to provide cost-effective solutions to minimize drilling and rig move times and mitigate downhole problems for its customers. PDLP leads the industry in this regard with an in-house engineering group, specialized equipment design and clear management focus.

In addition to rig fleet expansion, higher profits have enabled the partnership to invest significant capital in the upgrade of existing rigs. These upgrades strengthen operating capabilities to meet conventional drilling requirements, with new capability directed towards horizontal, directional and underbalanced drilling techniques. Drilling rigs are continually being upgraded to promote safety, fuel efficiency, reduced greenhouse gas emissions, equipment mobility, utilization of new technology, cost effectiveness, and optimal depth range capability.

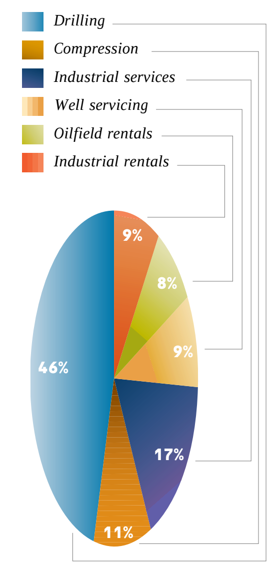
Precision is taking a lead industry role in the development of information technology through a state-of-the-art technical architecture geared towards a client-server distributed environment with remote digital data capture and interface. This foundation is scaleable to accommodate growth and will enable Precision employees to access real time information to optimize business processes, with a focus towards continual improvement in customer service and electronic information exchange.

Outlook

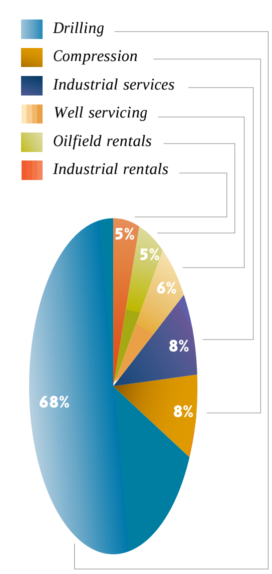
The prognosis for Precision's contract drilling business over the upcoming months is clouded by current low oil prices, which have impacted customers' cash flow and ability to raise funds through equity or debt financing. This cash constraint will limit funds available for drilling, as has already been illustrated by the lower new well licensing count so far this year.

The industry has also experienced a more traditional and slower spring break-up this year, extended somewhat by early summer forest fires, followed by a higher than average rainfall. These events have combined to lower the partnership's first quarter activity and results.

1997 REVENUE BY SOURCE



1998 REVENUE BY SOURCE



Review of Operations

However, a shift towards natural gas drilling is widely expected in 1998 to meet export commitments for new gas pipeline capacity coming on-stream during the year 2000. Between 4,700 and 7,300 new gas well completions are forecast per year. An unprecedented 17 gas and seven oil pipeline projects are proposed at an estimated cost of $17 billion over the next four to five years.

On the back of this natural gas demand, management believes rigs will gradually resume drilling during the summer period followed by a full winter utilization. The slower first quarter has allowed PDLP to effect much needed repairs to its rig fleet and solidify support infrastructure, in preparation for an expected resurgence in activity.

AN LRG EMPLOYEE ASSEMBLES CATERING SUPPLIES FOR ONE OF PRECISION'S 76 CAMPS.

Support Services

LRG Catering Ltd. is a wholly owned subsidiary of PDLP. LRG, established in 1976 as a water hauling and catering business, owns, manages, and caters the majority of Precision's 76 camps for on-site personnel in the field. Clean, well-run camp facilities support the Precision quality image by providing employees and customers with first rate working, eating and living conditions. The organization is directed by one of the previous owners, Doug White, who has managed the business since 1978.

Rostel Industries Ltd., a wholly owned subsidiary of the Corporation since January 1, 1997, was established in 1976 as a machining and fabricating shop, providing drilling contractors in southern Alberta with complete equipment repair service. Its core businesses are manufacturing of drilling and servicing rig components such as drawworks, masts, and substructures. The company also repairs and certifies rig components such as crowns, traveling blocks and blowout preventors. Rostel is headed by Yook Tong, General Manager, who has been employed by Rostel since 1984.

Columbia Oilfield Supply Ltd., a wholly owned subsidiary of the Corporation since July 1997, was established in 1977 as a general supply store to the oilfield service industry. Columbia's main customers are drilling contractors. In 1982, Columbia formed Capital Oilfield Equipment to provide goods and services to other supply stores, oil companies and rental companies. Over the past three years, new product lines have been introduced for the petrochemical, and pulp and paper industries. The organization is managed by Rick Kautz, Vice President, one of the original owners of Columbia.

International Drilling

Significant progress was made in fiscal 1998 with the rationalization of international operations acquired from Kenting, which included operations in Oman, Argentina and Azerbaijan, the latter being sold subsequent to year end. More significantly, a strategy for growth and expansion outside Precision's traditional domestic market was formulated and instituted, focusing on markets suited to Precision's strength in development drilling. To advance this strategy, the Corporation hired Mark Helmer as Vice President, International Operations. Mark has more than 15 years of international contract drilling experience.

Venezuela: Benefiting from its experience in the heavy oil regions of Canada, Precision was successful in signing a multi-year contract with Petrozuata, a joint venture between Conoco and Petroleos de Venezuela, S.A. (PDVSA), the Venezuelan national oil company. Drilling activity began on the Petrozuata project in September 1997 and the second rig began operations in January 1998. The exceptional performance achieved by the team resulted in a number of drilling records being set in the country.

Rostel's machining facilities provide precise manufactured products

Review of Operations

In May 1998, Precision obtained a letter of intent from a U.K. multinational company for the construction and operation of two drilling rigs for the eastern heavy oil region to commence drilling in February 1999. This three-year contract further solidifies Precision's role as the dominant player in the Orinoco heavy oil region.

Precision Drilling de Venezuela, C.A. has been reorganized into a single operational and administrative centre in El Tigre, the heart of the eastern heavy oil region. This centralization will result in lower costs and operational efficiencies.

Argentina: In July 1997, Precision sold nine service rigs acquired from Kenting while retaining three 3,000-metre rated drilling rigs, one of which was dry-leased on a two-year contract in Brazil. The two remaining rigs were sold in March 1998 to a joint venture between Precision Drilling and Oil Drilling Exploration Limited ("OD&E"). Precision retains 50% ownership in the assets, while OD&E has assumed operational management of the Argentinean operations.

PRECISION'S CANADIAN DRILLING AND WELL SERVICING EXPERTISE IS BEING UTILIZED OVERSEAS.

While weak demand for drilling rigs in Argentina has resulted in downward pressure on dayrates and utilization over the past year, the need for natural gas supply from northern Argentina to supply the Brazilian industrial market should increase demand for rigs capable of deep drilling. Precision is confident that the OD&E joint venture will help to serve this demand.

Oman: Precision increased its share ownership of the MOOG Drilling partnership in Oman to 40% from 25% in January 1998. The highly-automated desert-style drilling rig owned by the partnership is currently fulfilling a one-year extension to its original four-year term.

OILFIELD SPECIALTY SERVICES

With the additions of Northland and Inter-Tech, there was a need to create a division with a focus primarily on underbalanced drilling. These acquisitions are at the forefront of Precision's strategy to offer complete integrated underbalanced drilling packages throughout the world.

The Oilfield Specialty Services group will benefit from Northland's leading world-wide market share position. Leo Jegen and Richard Seto, former Presidents of Northland and Inter-Tech respectively, will direct the new division from their headquarters in Calgary. Other key employees of the division include David Speed, Vice President Canadian Operations; Ben Gedge, Vice President Eastern Hemisphere; Joe Kinder, Vice President Western Hemisphere; Larry MacPherson, General Manager Live Well Service; and Don Pack, General Manager Drive Well Servicing.

With the current focus on the integration of these operations, the long-term strategy involves significantly expanding the existing business lines and sourcing the remaining components of the integrated underbalanced drilling package.

Underbalanced Drilling

Underbalanced drilling uses a much lighter drilling medium than that normally used to ensure pressure in the wellbore is lower than the reservoir pressure. Reservoir fluids are allowed to flow to the surface as the well is being drilled instead of exposing the reservoir to drilling mud. This avoids the formation damage often experienced in many wells, particularly in horizontal wells, which are more susceptible to the problem because of the increased exposure to the reservoir.

Northland offers complete integrated underbalanced drilling packages worldwide

Review of Operations

The introduction of underbalanced drilling technology in conjunction with horizontal drilling methods will enable Canadian businesses to continue as a world leader in the progression of the growing horizontal drilling market. Some industry analysts expect underbalanced drilling to grow by as much as 30% per year in both the Western Canadian Sedimentary Basin and worldwide.

"The expansion into underbalanced drilling, which includes the patented RBOP™, will offer superior growth opportunities over the next several years".

Northland Energy Corporation provides personnel and surface control equipment for underbalanced drilling programs. It has achieved a leading position worldwide in underbalanced drilling technology, with offices in Canada, United States, United Kingdom, Netherlands and Venezuela. Other related businesses are production testing and wireline services, and it is the largest provider of production testing services in Canada.

THE RBOP™ IS A WELL CONTROL DEVICE WHICH ALLOWS THE DRILLING OF UNDERBALANCED WELLS WITHOUT DRILLING FLUIDS.

Blair Goertzen,
Senior Vice President
Business Development

Inter-Tech Drilling Solutions Ltd. owns and markets the RBOP™, a well control device which allows the drilling of underbalanced wells without drilling fluids. Drilling media, hydrocarbons and formation fluids are diverted to surface separation equipment through the RBOP™ while the drill pipe can be inserted or extracted from the well without interruption.

Live Well Service is the largest snubbing contractor in Canada with 17 pressure control units in its fleet. Rig assist snubbing units are equipped with specialized pressure control devices which allow for completions and workover operations while the well is under pressure. Live provides a hydraulic rig assist snubbing unit which can be rigged up in less than two hours onto a rig floor. Precision currently markets its portable rig assist snubbing business in conjunction with Northland to international customers.

Live's qualified personnel are well-trained and experienced with working in potentially dangerous situations. Live is proud of its standing as a leader in the development of safety programs, procedures and practices for the snubbing industry.

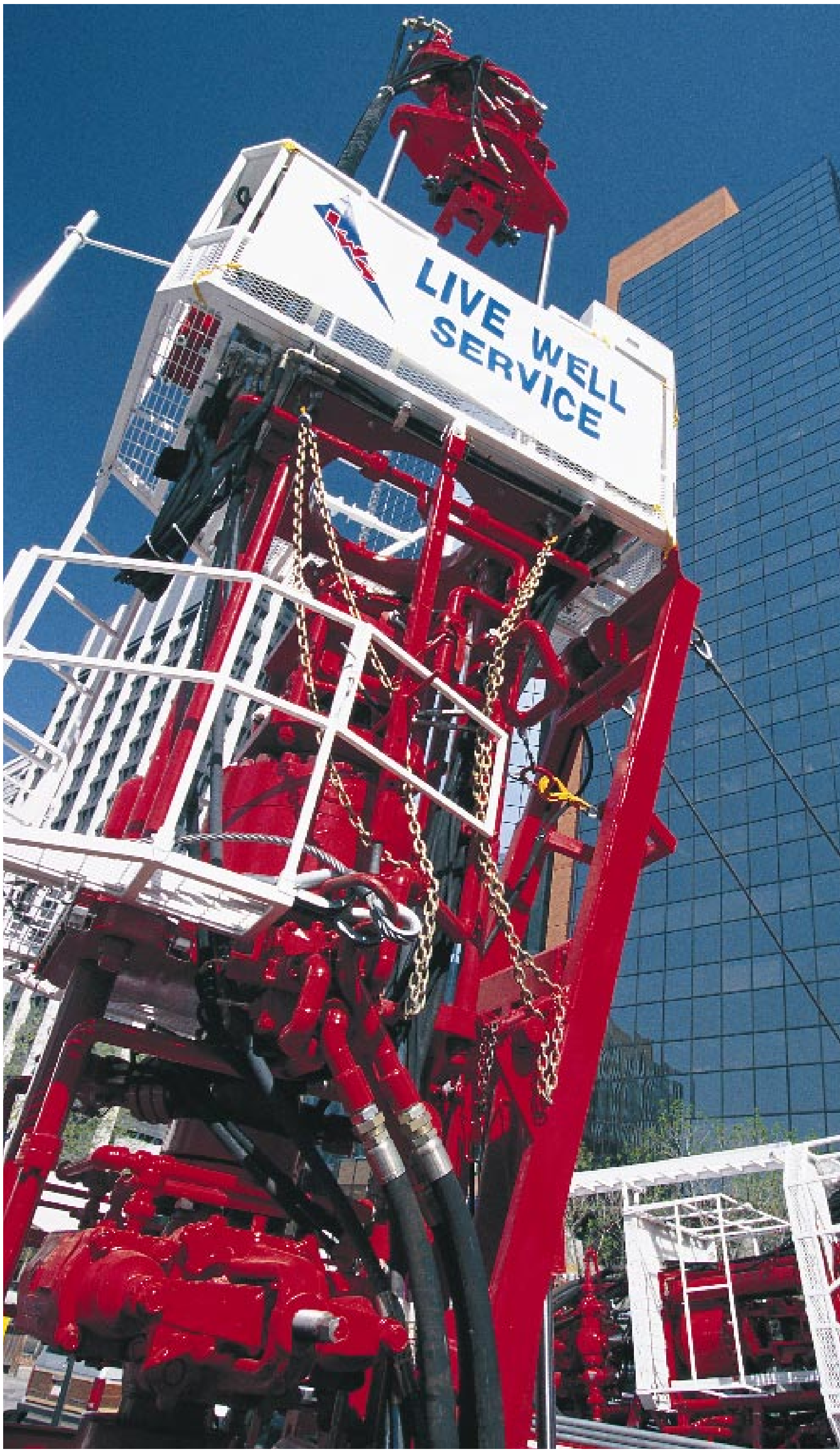
Fiscal 1998 was Live's best year ever in terms of both sales and activity. In Canada, drilling of medium to deep natural gas wells increased and should continue to rise, with underbalanced drilling gaining in market acceptance. In Europe, Live completed one job in Spain and another in Italy, both in alliance with Northland. A two-year price agreement was initiated with AGIP, a major European oil and gas company.

All components of Live's equipment are engineered and manufactured in-house. Four units are being manufactured for the Canadian market, which will result in 25% growth, and plans are underway to build two more units for international use. A new facility is also being planned for the existing location at Nisku, Alberta. Live expects aggressive growth in equipment and personnel, both domestically and internationally.

Drive Well Servicing is the fourth largest well servicing firm in Canada with extensive experience in heavy oil workovers and completions. It leads the Canadian industry in terms of horizontal re-entry drilling, having pioneered the technique in 1992.

Drive's fleet increased by 11 rigs to 60 rigs as of April 30, 1998 and had an average utilization 11% above the industry. Accounting for the fleet growth was the fabrication of eight new lightweight rigs combined with a fourth new dual mode slant/conventional rig for heavy oil. These rigs were manufactured under special customer agreements which provide for full recovery of design and manufacturing costs. Drive purchased and refitted two rigs for the central Alberta and northeastern British Columbia natural gas markets.

As well, seven new mobile pumping units were built to ensure optimization of shallow capacity rigs. The company also proved it was serious about environmental protection by upgrading its diesel powered systems with electronic controls, which adhere to upcoming emission control standards.



Hydraulic rig asist snubbing unit

Drive signed an alliance agreement during the year with a large heavy oil operator, ensuring its utilization and longevity in this marketplace. It also signed long-term gas contracts with two large natural gas exploration companies. Drive will continue to upgrade equipment and implement new technology to remain the recognized leader in horizontal re-entry drilling.

"Growth through acquisition contributed to the record breaking performance of this segment."

The company's methodical selection and placement of equipment and the recent acquisition of 16 well service rigs from Widney, bringing the service rig total to 76, has positioned it to capitalize on the rapidly developing natural gas marketplace. With equipment and personnel now in place and with existing alliance partners, Drive is confident it should perform above the industry average in the upcoming year.

DUCHARME'S PRIMARY BUSINESS IS THE MANUFACTURE AND RENTAL OF WELLSITE TRAILERS. WITH A FLEET OF APPROXIMATELY 335 FULLY EQUIPPED TRAILERS, DUCHARME IS A LEADER IN PROVIDING THIS SERVICE TO THE OILFIELDS.

Bruce Herron,
Vice President
Services Group

RENTAL AND PRODUCTION SERVICES

The Rental and Production Services segment contributes significantly to the success of the Corporation, representing 26% of total company revenues, and enjoyed an an increase of 32% in revenue over the previous year.

Under the operating names of Certified Rentals, Smoky Oilfield Rentals and Ducharme Oilfield Rentals, the rental group provide a wide array of products and services, including the patented "Vapour Tight" separator/storage vessel, industrial tools and equipment, wellsite trailers and downhole drilling motors and tools. The group's compression operations are conducted by Energy Industries, which designs, sells or rents and services natural gas compressors. CEDA International Corporation and its subsidiaries ("CEDA") are leading providers of industrial maintenance and turnaround services, including specialized catalyst handling both in Canada and the United States. All of these divisions are market leaders, providing customers with innovative approaches to their businesses as well as the highest technological standards.

Rental Services

Certified Rentals Inc. is Canada's largest industrial tool and equipment rental business, serving its customers since 1968. It operates through a network of 14 branches with over 300 employees. Geographically, its operations are now spread over the five Canadian provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. The division is headed by Tim O'Brien, who has 23 years experience in this industry.

Certified provides a wide range of products in three broad categories - traditional contractor tools and equipment, aerial work platforms, and industrial tools and equipment. These products and services are deployed in the oilfield, pulp and paper mills, petrochemical complexes, pipelines, civil and governmental markets. Certified is primarily a rental company but is also an authorized distributor for various brands of equipment carried in its rental fleet.

In 1998 Certified continued expanding and modernizing its fleet with an aggressive capital additions program totaling $15.3 million, while its ongoing investment in bar code technology for its industrial inventory has established this division as the Canadian market leader in its field. As well as acquiring three new branches in Manitoba and one in western Ontario from Wyatt Rentals in June 1998, Certified also opened a new branch in Grande Prairie, Alberta and completed major renovations at its Fort McMurray, Alberta facility. The latter will provide support to the various tar sands expansions which are projected to occur over the next five to seven years. The division also successfully completed a number of strategic alliances with some of its large industrial clients to further position itself for the future.

The "Zoom Boom", one of Certified's wide range of rental products

Review of Operations

Ducharme Oilfield Rentals Inc. commenced operations in 1977 offering the rental of wellsite trailers, premix tanks and incinerators. The company obtained the exclusive Canadian marketing rights for Griffith Oil Tools which includes downhole drilling tools and Trudril downhole motors. The division is managed by Brent Gogol, who has been employed in various marketing and management roles in the company for the last eight years.

Ducharme's primary business is the manufacture and rental of wellsite trailers. With a fleet of approximately 335 fully equipped trailers, Ducharme is a leader in providing this service to the oilfield. The trailer units are delivered to rig locations using its own air ride trucks and tri-axle trailers.

SMOKY IS THE LARGEST RENTAL COMPANY OF ITS TYPE WITH MARKET SHARE IN EXCESS OF 50%. HERE, SMOKY DELIVERS EQUIPMENT TO A FIELD OPERATION.

The majority of wellsite trailers are manufactured in the company's newly expanded manufacturing facility in Spruce Grove, Alberta. The expansion facilitates a formal production schedule leading to economies of scale and lower costs.

The tools/motors division performed solidly for much of the year, although it was impacted somewhat by a reduction in directional drilling in the last quarter due mainly to the downturn in oil prices.

Smoky Oilfield Rentals Ltd. is the result of the consolidation of 12 rental companies starting in 1987, transforming it into the largest rental company of its type with a market share in excess of 50%.

The division is led by Tom Facette, who has been with the company since its inception. Smoky operates from four branches, Grande Prairie, Red Deer, Drayton Valley and Medicine Hat, all located in Alberta with additional satellite branches and stocking points from southeast Saskatchewan, to northwest Alberta. Smoky maintains an inventory of over 2,500 pieces of rental equipment including storage tanks, high and low pressure oil and gas separators, sump and shale tanks and related equipment. It also supplies the patented Vapour Tight Battery which allows safe, single well production of oil with H_2S content through the use of a 500 barrel vessel with gas metering and flaring capability.

In fiscal 1998 Smoky expanded into a new market area in Lloydminster, Alberta. It also introduced new products in the form of flare tanks, pressurized swab tanks and 750 barrel heated and lined storage tanks, investing a total of $5.0 million in new assets.

Smoky has built its business and reputation on the basis of providing the highest quality of standard and specialized equipment with knowledgeable staff committed to service. Despite increased competition and an expected slowdown in the industry, the division should maintain its market dominance by continuing to provide quality equipment and adhering to a rigid maintenance program with proper safety procedures.

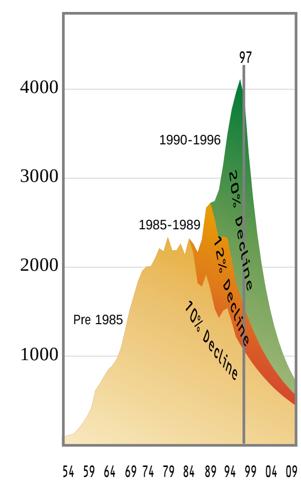
Production Services

Energy Industries Inc. established in Canada in 1973, designs and packages a broad scope of reciprocating natural gas compressors with units ranging from 100 to 5000 horsepower. The company maintains the exclusive Canadian distributorship rights for the Weatherford Enterra compressor until the latter part of 2004. Compression enables the producer to deliver its product by boosting natural gas to the pipeline operating pressures. It is used to sustain or increase the level of natural gas production from new wells or depleting reservoirs.

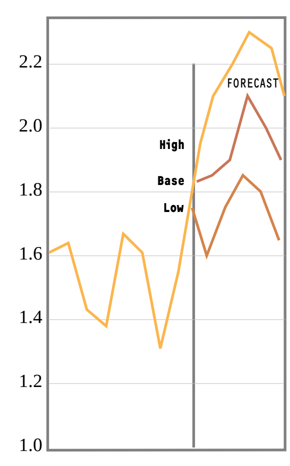
Energy Industries is managed by Ivan Heidecker, who has been with the company for the past five years. Ivan and his management team have successfully focused the company's marketing initiatives on the higher horsepower units, resulting in record revenues and profits in fiscal 1998.

Energy Industries employees assembling natural gas compression units

ALBERTA NATURAL GAS DECLINE RATES
Bcf (Source: Sproule Associates)



NATURAL GAS PRICING
Dollars per Gigajoule
(Source: Ziff Energy Group)



The market for compression is driven by well depletion rates and growth in natural gas consumption and demand throughout North America. Energy Industries pioneered the portable modular compression package that now represents the standard of the industry. Energy Industries also maintains Original Equipment Manufacturing (“OEM”) status with both Waukesha and Caterpillar natural gas engine manufacturers. It is committed to providing value to its customers, ensuring Energy Industries enjoys a competitive advantage and long-term profitability.

In fiscal 1998, Energy Industries built 60 compression packages compared to 46 in the prior year and exited the year with an order backlog of a further 44 packages compared with 33 last year.

CEDA'S IN-HOUSE DESIGNED AND MANUFACTURED CHEMICAL CLEANING UNIT, COMPLETE WITH SCRUBBER TANK IS AN EXAMPLE OF THE SPECIALIZED EQUIPMENT UTILIZED IN PROVIDING INDUSTRIAL MAINTENANCE AND TURNAROUND SERVICES.

In anticipation of the planned expansions of both the TransCanada and Northern Border pipeline projects, as well as the announced construction of the Alliance Pipeline expected to be completed by the year 2000, Energy Industries has taken steps to double its manufacturing and packaging facilities by the fall of 1998.

CEDA International Corporation was founded in 1973. Through its subsidiaries and affiliates it is a leading provider of industrial maintenance and turnaround services, as well as additional specialized services to various production industries in Canada and the United States.

The group is managed by Ernie Koop, one of the founders and former owners of the company, who recognizes that motivated people are the most important resource of a service company. CEDA maintains an entrepreneurial spirit with a commitment to long-term customer and employee satisfaction.

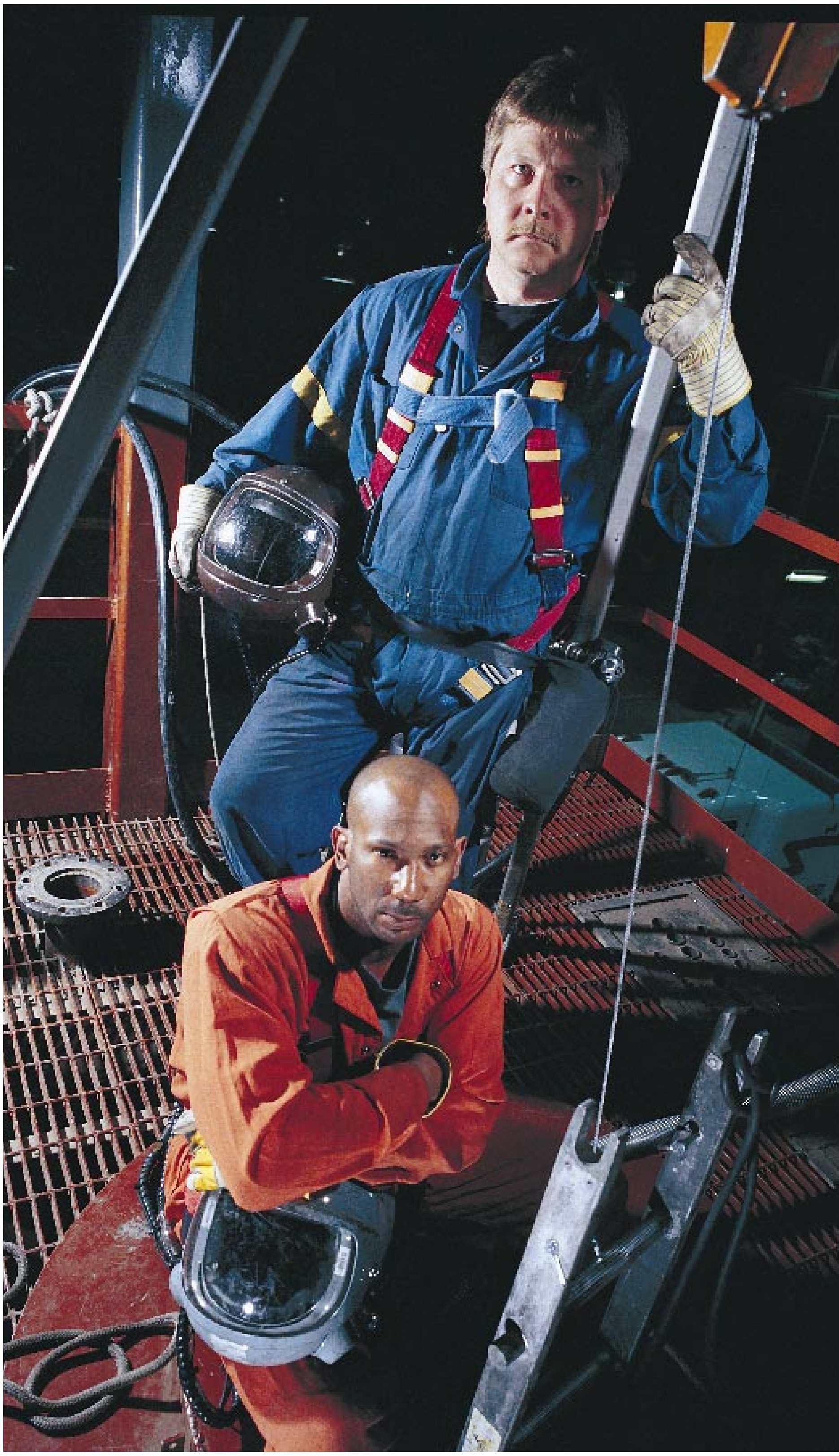
The main areas of operation are industrial cleaning, catalyst handling, and mechanical services. Industrial cleaning encompasses high pressure water blasting, large scale industrial vacuuming, and specialized chemical cleaning. The latter utilizes a team of chemists, engineers and service technicians who combine their expertise to provide highly specialized and environmentally sound chemical cleaning services. Catalyst handling involves the removal and replacement of catalysts in the reactors at hydrocarbon or petrochemical facilities. Mechanical services includes bolt tensioning, machining and leak repair services. These services are usually undertaken at customer locations, frequently under critical time pressure during scheduled shutdowns or emergencies.

In Canada, CEDA operates from three of its own permanent bases plus a network of ten dealerships. In the U.S., CEDA provides a full suite of services out of six major operating locations.

In fiscal 1998, the company spent $8.0 million on capital expenditures including the assets of a competitor in Regina, Saskatchewan which provided CEDA with essential equipment, creating new opportunities for the company. CEDA established its first managed service program at Dow Chemical's Alberta and Ontario facilities and is now responsible for day-to-day maintenance at both plants. It also signed long term contracts with Syncrude and Suncor to provide plant turnaround services and ongoing maintenance. The announcement of substantial new investment into facilities to handle heavy oil production by several major oil companies should provide further opportunities to grow.

HEALTH AND SAFETY

Concern for the health, safety and well-being of employees, customers and the public will continue to be a major focus of Precision Drilling Corporation. Over the past few years Precision has formulated a participatory approach to safety that strives for involvement at all levels of the organization. Starting with the CEO, all officers,

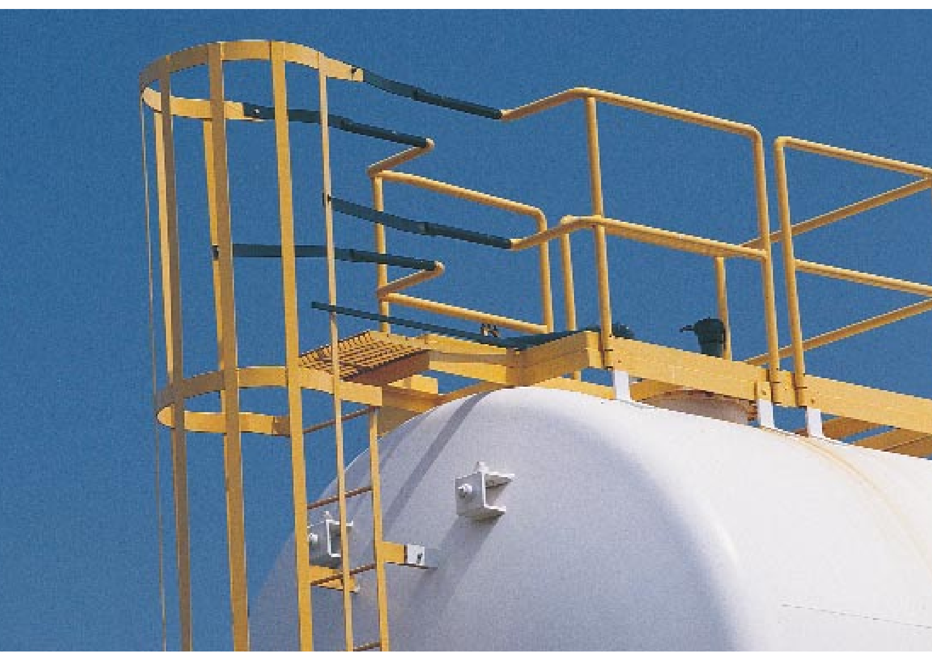


Employees take safety seriously

managers and employees are expected to share an involvement and accountability for safe operations.

The Corporation accepts the responsibility for leadership of the safety program, for its effectiveness and improvement and for providing the safeguards required to ensure safe working conditions. To achieve this commitment, the Corporation has a Health and Safety Policy. It is the policy of Precision:

- To comply with all municipal, provincial or federal regulations applicable to its operations.
- To maintain a well managed safety program to prevent personal injury and to provide a safe and healthy work environment.



PROTECTION OF THE ENVIRONMENT IS A KEY PRIORITY. PRECISION IS COMMITTED TO PROVIDING HIGH STANDARDS OF ENVIRONMENTAL CARE IN ALL PHASES OF OPERATIONS.

- To establish responsibilities for all levels of management, employees and contractors to implement the policies, and to hold them accountable for their actions.
- To obtain wholehearted co-operation and input of all employees and contractors in carrying out safe work procedures.
- To ensure that all new employees receive proper orientation followed by constructive on the job training.

The Corporation recognizes alcohol and drug abuse is a health, safety and security problem that has a direct negative impact on the workplace and on the strength of Canadian business as a whole. As a responsible employer, and as a company dedicated to the pursuit of excellence, Precision is concerned with eliminating the effects and dangers of alcohol and drug abuse from the workplace and job sites. Precision has a Drug and Alcohol Policy which is aimed at establishing as safe and productive work environment as possible and expects all employees to assist in maintaining this work environment.

ENVIRONMENT

Precision Drilling Corporation views environmental issues as key priorities at all levels of the organization. The Corporation considers the protection of the environment important to the day-to-day conduct of business and is committed to providing high standards of environmental care in all phases of operations.

Environmental protection is a team responsibility. Management has developed policies and procedures within each of its divisions which effectively minimize environmental issues, while employees have the responsibility of bringing to Management's attention any procedures and incidents which may impair environmental protection. 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.

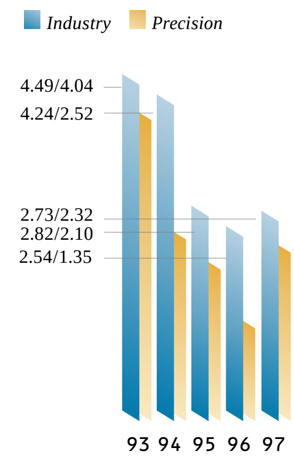
To ensure environmental protection receives constant attention within Precision Drilling Corporation, it is the Policy of the Corporation:

- To comply with all laws and regulations applicable to its operations.
- To ensure that potential hazards to the environment resulting from company activities are considered in the planning process and identified during operations in order to minimize concerns and/or apply corrective action.
- To inform employees of legal requirements and provide the training and equipment necessary to be in compliance with legislation.
- To develop the policies, emergency response and operating procedures required to minimize the occurrence and consequences of potential environmental incidents.

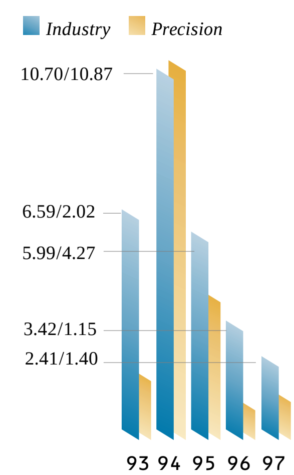
Prior to the finalization of acquisitions, the Corporation hires independent consultants to conduct a phase one study on any related property and facilities being purchased or leased. If there is a potential concern, the Corporation will extend the investigation to a phase two study and ensure that the environmental clean-up is complete before taking over responsibility for the property or facility.

Management provides environmental reports to the Board of Directors on a regular basis to keep them informed of 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



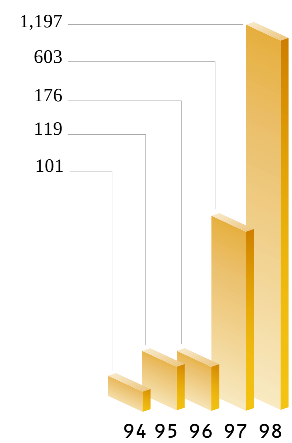
"Precision's outstanding financial performance is proof that we met the challenges presented by our unprecedented growth and record field activity."

Dale Tremblay, Chief Financial Officer

Management's Discussion & Analysis

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, 1998 and 1997, together with the related notes. The effects on the financial statements arising from differences in generally accepted accounting principles between Canada and the United States are noted in Note 11 to the Consolidated Financial Statements.

TOTAL ASSETS
Millions of dollars

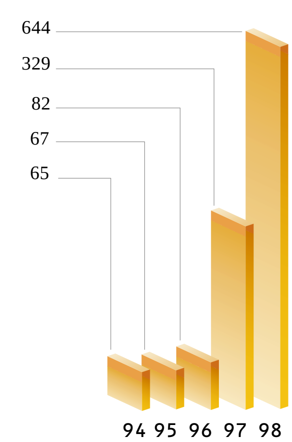


In the fiscal year ended April 30, 1998 the Corporation continued on its stated goal of profitable growth and international diversification. The Corporation exited the year with a 99% increase in total assets, a 123% increase in revenue, a 177% increase in net earnings, and a 281% increase in funds generated from operations. Subsequent to April 30, 1998, the Corporation finalized the acquisitions of Northland Energy Corporation and Inter-Tech Drilling Solutions Ltd., two companies involved in providing underbalanced drilling services to both the domestic and international oil and gas industries. These acquisitions should further increase the presence of Precision Drilling Corporation in the international market-place and firmly establish it as a true international oilfield service company.

RESULTS OF OPERATIONS

	Years ended April 30,		
(Stated in millions of dollars except per share amounts)	1998	1997	1996
Revenue	$ 1,012.5	$ 455.0	$ 163.1
Increase	123%	179%	
Operating earnings	$ 261.2	$ 85.6	$ 31.3
Increase	205%	173%	
Net earnings	$ 117.5	$ 42.4	$ 17.6
Increase	177%	141%	
Earnings per share	$ 2.82	$ 1.44	$ 1.04
Increase	96%	38%	
Funds provided by operations	$ 287.5	$ 75.5	$ 27.8
Increase	281%	172%	
Funds provided by operations per share	$ 6.92	$ 2.56	$ 1.64
Increase	170%	56%	

NET FIXED ASSETS
Millions of dollars



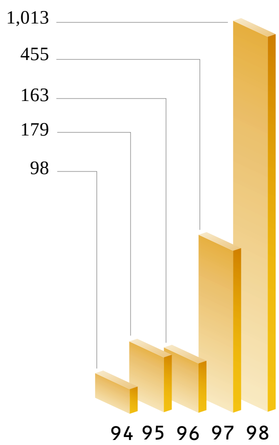
SEGMENTED INFORMATION

Although not strictly required until the 1999 fiscal year, the Corporation has chosen to adopt the pronouncement of the Canadian Institute of Chartered Accountants ("CICA") on Segment Disclosures. Accordingly references will be made to the three major operating segments of the Corporation namely, "Contract Drilling Services", "Oilfield Specialty Services" and "Rental and Production Services".

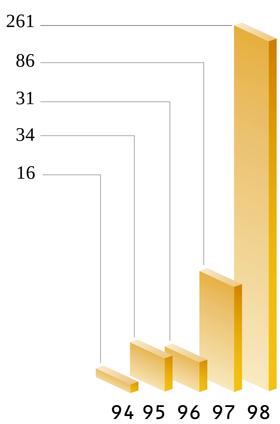
Management's Discussion & Analysis

(Stated in millions of dollars)		Years ended April 30, 1998		1997		1996
Revenues						
Contract Drilling Services	$	690.3	$	215.4	$	150.1
Oilfield Specialty Services		57.6		39.1		–
Rental and Production Services		264.6		200.5		13.0
Total	$	1,012.5	$	455.0	$	163.1
Operating Earnings						
Contract Drilling Services	$	206.5	$	45.4	$	28.9
Oilfield Specialty Services		8.7		6.0		–
Rental and Production Services		46.0		34.2		2.4
Total	$	261.2	$	85.6	$	31.3

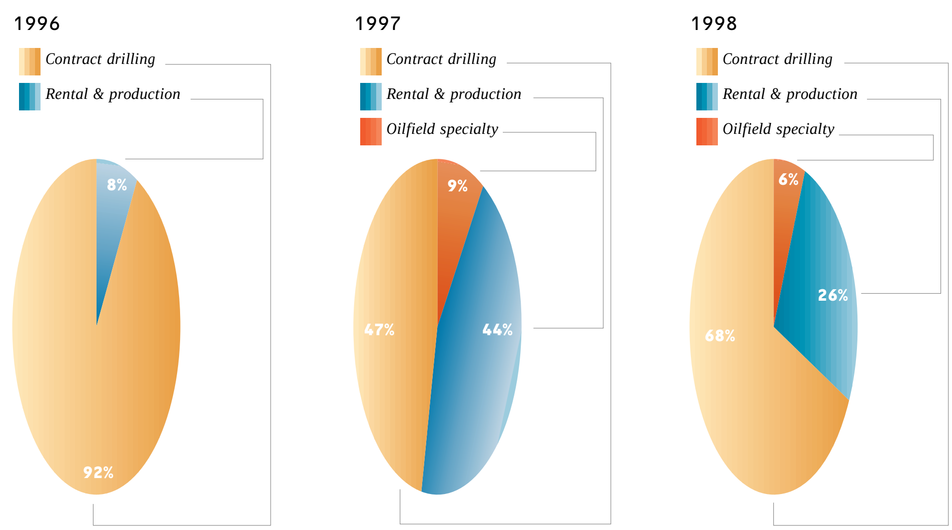
GROSS REVENUE
Millions of dollars



OPERATING EARNINGS
Millions of dollars



GROSS REVENUE



As the figures above attest, the 1998 fiscal year represented another exceptional year for the Corporation as measured in almost all financial categories. This is particularly noteworthy given the dramatic growth in the 1997 fiscal year over 1996. Contract drilling again represented the largest segment of the Corporation's revenues and operating earnings with 68% and 79% respectively, compared to 47% and 53% in the previous fiscal year. This reflects both the growth in the Corporation's rig fleet and higher drilling activity in the Western Canadian Sedimentary Basin ("WCSB"). The fleet in Canada grew from 101 rigs at April 30, 1997 to 207 at the end of fiscal 1998. A total of 94 rigs in Canada were added as part of the acquisition of Kenting Energy Services Inc. ("Kenting") and Lynx Energy Services Corp. ("Lynx"), with a further 12 being constructed during the year. Revenues and operating earnings improved substantially in each of the other two segments ("Oilfield Specialty Services" and "Rental and Production Services") but not with the same dramatic growth of contract drilling.

Revenue:

Revenue for the 1998 fiscal year increased $557.5 million or 123% from 1997. As noted in the above table the majority of the increase came from Contract Drilling Services; up $474.9 million or 220%. Oilfield Specialty Services although by far the smallest segment, had increased revenues of 47% while revenues of Rental and Production Services increased 32%.

Contract Drilling Services

The Corporation conducts land drilling services mainly in Canada and to a lesser extent in Venezuela, Argentina and Oman. As part of the Kenting acquisition it also had an interest in a joint venture with an international drilling company in Azerbaijan during the 1998 fiscal year. That interest has now been sold subsequent to year end.

In Canada, the Corporation operated the largest fleet of drilling rigs in the country with 207 rigs out of the industry total of 574. The revenue increase in the 1998 fiscal year results from a combination of the increased fleet (up from 101 a year earlier) and the higher drilling activity in the WCSB; Precision enjoyed 51,156 operating days compared to 20,448 in the prior fiscal year, an increase of 150%.

This segment also achieved better pricing with an average increase of day rates of approximately 34%.

Dale Tremblay,
Chief Financial Officer

Mick McNulty,
Vice President Finance

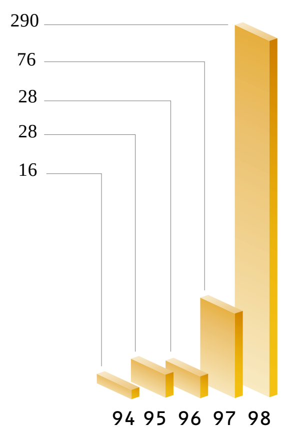
Oilfield Specialty Services

Although currently the smallest segment, it is expected that this sector will be the fastest growing in the coming years with the additions of Northland and Inter-Tech in fiscal 1999. In the 1998 fiscal year Oilfield Specialty Services comprised the activities of its 60 well servicing (or workover) rigs and its 17 snubbing units. Both fleets have grown substantially in the period with the well service fleet up from 49 rigs in the previous year and is now the fourth largest operator in the country. The snubbing fleet also increased from 16 to 17 units at year end with another four under construction. The well service group enjoyed a smaller percentage increase in revenue, up 47%, than that of the contract drilling segment, but typically is not subject to the extreme fluctuations in demand as the larger drilling rig sector.

Rental and Production Services

Revenue in this segment increased $64.1 million or 32%. This operating group covers the divisions providing packaging and servicing of compression equipment and the rental of oilfield equipment to oil and gas companies, as well as rental equipment, industrial maintenance and catalyst handling services to oil refineries, gas plants, petrochemical complexes and other process facilities.

CASH FLOW
Millions of dollars

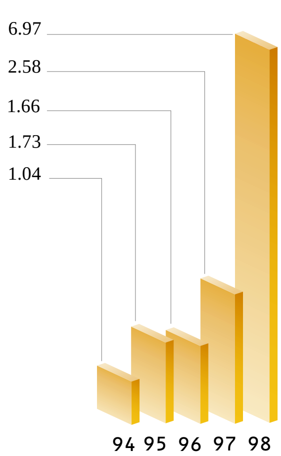


Expenses:

The following table summarizes selected financial information expressed as a percentage of total operating revenues:

	Years ended April 30,		
(Percent)	1998	1997	1996
Revenues	100	100	100
Expenses:			
Operating	61	68	68
General and administrative	6	7	8
Depreciation and amortization	7	6	5
Total expenses	74	81	81
Operating earnings	26	19	19
Interest	1	1	1
Income taxes	13	9	8
Net earnings	12	9	10

CASH FLOW PER SHARE
Dollars



Operating Expenses:

Operating expenses as a percentage of revenue decreased to 61% compared to 68% in fiscal 1997 and 1996. The lower percentage arose largely from improved day rates in most of the Corporation's businesses, more than offsetting a noticeable increase in compensation costs during the past fiscal year. In addition, the Corporation changed the method for accounting for drill pipe and drill collars, from expensing all purchases to capitalizing them and depreciating them over 1,100 days. This change brought the Corporation into line with the practices of other drilling contractors in Canada and the U.S. Without this change the operating cost percentages would have been 62%. All segments experienced cost inflation as a result of the high demand for trained personnel. This impacted the Corporation by increasing costs to maintain its competitiveness and an increased investment in training to maintain the quality of service. In dollar terms operating costs increased $305.3 million or 97%.

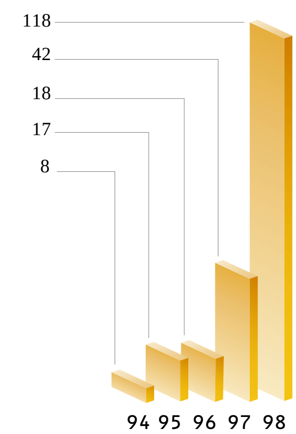
General and Administrative Expenses:

General and Administrative expenses also declined as a percentage of revenue, to 6% from 7% in fiscal 1997 and 8% in fiscal 1996, again as a result of improved pricing. In dollar terms the increase in fiscal 1998 was $30.0 million or 102% mainly due to the drilling acquisitions with some marginal effect due to reorganization costs.

Depreciation and Amortization Expense:

Depreciation and amortization expense increased significantly in both percentage of revenue and dollar terms. In the former, depreciation increased to 7% from 6% in fiscal 1997 and 5% in fiscal 1996. Although the majority of the Corporation's assets are depreciated on a unit of production basis and thus should largely mirror activity driven revenue movements, a significant portion is amortized or depreciated on a straight line basis. The impact of goodwill amortization accounted for $11.2 million or 1% of revenue in the 1998 fiscal year, compared to $3.4 million in fiscal 1997. The change in accounting for drill pipe added $6.4 million of depreciation or approximately 1% of revenue. The Corporation also increased the estimated life of drilling equipment from 3,000 to 3,650 drilling days, but this effect of $5.7 million was more than offset by an increased activity level which effectively added a further $14.4 million of depreciation or 1% of revenue. In dollar terms the depreciation increase was $46.6 million or 185% higher than the prior year.

NET EARNINGS
Millions of dollars



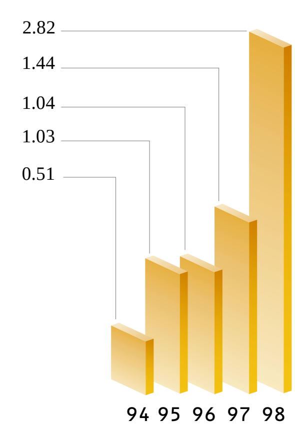
Net Interest Expense:

Net interest expense increased $13.2 million in fiscal 1998, to a net expense of $17.1 million. A total of $12.4 million was related to interest and financing costs associated with the issue of $200.0 million 6.85% unsecured debentures maturing June 26, 2007. A total of $2.9 million was paid during fiscal 1998 relating to rig and acquisition loans while the operating loan interest amounted to $2.6 million.

Dividend Income:

A dividend received during fiscal 1998 from the Corporation's investment in Western Rock Bit Company Limited, a private company, increased to $1.9 million from $0.7 million a year earlier or 194% mainly due to an increase in the Corporation's shareholding following the acquisition of Kenting and Lynx.

NET EARNINGS PER SHARE
Dollars



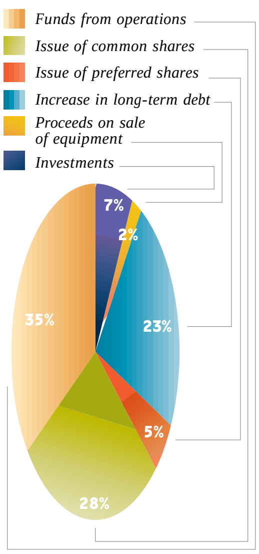
Income Taxes:

Income taxes increased $88.6 million or 222% in the 1998 fiscal year as a direct result of the increase in activity and the purchase of assets without tax basis during the year. The Corporation's effective tax rate amounted to approximately 52% compared to an expected combined federal and provincial rate of 45% due mainly to the impact of non-deductible depreciation and amortization expenses. An adjustment was also recorded relating to a settlement with Revenue Canada on the non-deductibility of subsistence allowances resulting in increased taxes of $3.6 million. Following a change in the tax laws this liability will cease to exist on a go forward basis. Deferred tax increased $90.6 million to $99.3 million as a result of the formation of a limited partnership that controls all of the acquired and previously owned drilling assets.

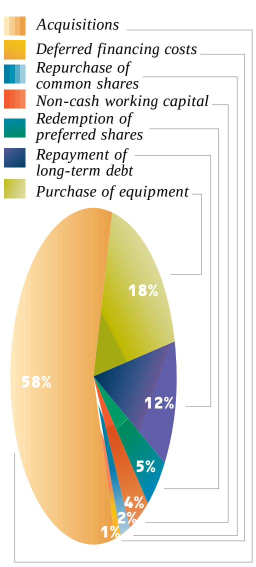
During 1997, the Canadian Institute of Chartered Accountants issued new standards which will, when adopted by the Corporation, require the use of the liability method to account for income taxes. The standards must be adopted for fiscal periods beginning on or after January 1, 2000. Earlier adoption is permitted. The Corporation has not yet determined the impact of the new standards on these financial statements.

FINANCIAL CONDITION AND LIQUIDITY

1998 SOURCES OF FUNDS
Total: $856.1 Million



1998 USE OF FUNDS
Total: $814.1 Million



Funds Provided by Operations:

Funds provided by operating activities, before changes in non-cash working capital components, for the current fiscal year were $287.5 million compared to $75.5 million for 1997. The increase was a direct result of the robust market conditions in the year, additional capital expenditures and the various acquisitions.

Investments:

Net cash used in investing activities was $524.8 million in the fiscal year ended April 30, 1998, including expenditures of $462.5 million (with bank indebtedness assumed of $17.8 million) for the Kenting acquisition. Capital expenditures of $144.2 million were primarily related to the purchase of contract drilling equipment totaling $96.8 million (including the construction and completion of new rigs for $29.7 million). Expenditures on Oifield Specialty Services equipment amounted to $13.3 million while Rental and Production Services equipment totalled $34.1 million. Investments were reduced $60.9 million with $44.3 million related to the conversion of shares held in Kenting Energy Services Inc. ("Kenting") and Lynx Energy Services Corp. ("Lynx") upon the acquisition of Kenting and Lynx in May 1997. The remainder, $16.6 million, was principally the sale of investments acquired as part of the Kenting acquisition.

Financing:

The Corporation received net proceeds from financing activities of $315.4 million in the fiscal year ended April 30, 1998 compared to $286.9 million in 1997. On June 26, 1997 the Corporation received $200.0 million from the issuance of 6.85% unsecured debentures maturing June 26, 2007. Proceeds were reduced by $10.9 million for the issue costs, fees and the purchase of a forward interest contract which set the effective rate of interest on the debentures at 7.44%. The Corporation issued approximately 3.7 million common shares and 4.8 million preferred shares to the shareholders of Kenting in connection with the acquisition of Kenting and Lynx. Subsequently, all of the preferred shares were redeemed for cash or converted to common shares. Dividends of $366,000 were paid prior to the conversion and redemption. Pursuant to a regulatory authorized normal course issuer bid, the Corporation purchased and subsequently canceled 605,400 shares for $14.7 million. The Corporation has fully repaid the $18.0 million long-term debt assumed with the acquisition of Kenting along with $43.6 million of loans which had been drawn for that acquisition. $34.0 million was repaid on the non-revolving term acquisition loan which was drawn for completing the purchase of Brelco and Ducharme in fiscal 1997. The balance of long-term debt payments were made on the Drilling Rig Acquisition Facility.

Liquidity:

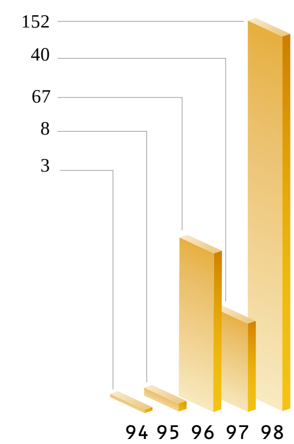
At April 30, 1998, the Corporation had long-term debt of $214.6 million, including the $200.0 million debenture maturing June 26, 2007. The Corporation's long-term debt to equity ratio was .31 to 1 at April 30, 1998. Working Capital was $152.0 million as at April 30, 1998 compared to $39.8 million for 1997. The

Corporation's strong liquidity position is partially due to the re-organization of Canadian Contract Drilling Services. This re-organization of all drilling services into one business unit resulted in a one time cash tax deferral of $88.9 million. These deferred taxes become payable in June 1999.

The Term Acquisition Loan was drawn by way of bankers' acceptances at an approximate effective rate of 5.6% at April 30, 1998. The Corporation has the option to prepay all or any portion of this loan from time to time without penalty. Any pre-payment would be applied in inverse order of maturity to regularly scheduled payments. The Drilling Rig Acquisition Facility was drawn by way of a prime rate advance at 6.5% interest at April 30, 1998.

The Corporation believes that the renewal and replacement of its credit lines in fiscal 1998 with revolving unsecured syndicated banking facilities, increased drilling rig construction facility and fixed rate long-term debt combined with the funds generated from operations and its strong working capital position will provide sufficient capital resources and liquidity to fund its on-going operations.

WORKING CAPITAL
Millions of dollars

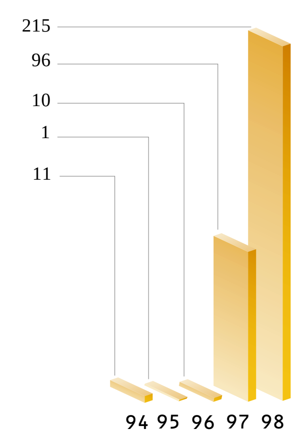


Recent Developments

Subsequent to the end of fiscal 1998 the Corporation has acquired all the issued and outstanding shares of Northland Energy Corporation ("Northland") and Inter-Tech Drilling Solutions Ltd. ("Inter-Tech"), plus seven land drilling rigs and related equipment. The total consideration paid in connection with these acquisitions amounted to $118.0 million in a combination of cash and shares. The drilling rigs will be operated as part of the contract drilling division while both Northland and Inter-Tech will form part of the Corporation's Oilfield Specialty Services group. Northland is an international oilfield services company, whose primary business is providing personnel and surface control equipment for use in underbalanced drilling programs. Inter-Tech is also an international oilfield services company providing services largely to the underbalanced drilling programs utilizing the Rotating Blow-Out Preventor (RBOP™). The acquired companies, combined with the Corporation's Live Well Service division, offers the Corporation the ability to expand its presence in the international oilfield service market place and to establish itself as the world leader in underbalanced drilling services.

In June and July 1998, the Corporation completed the acquisitions of Widney Well Servicing and Wyatt Rentals for a total consideration of $32.9 million. Both acquisitions had been the subject of letters of intent at the date of the audit report.

LONG TERM DEBT
Millions of dollars



BUSINESS RISK AND MANAGEMENT

The Corporation primarily provides services to the upstream oil and gas exploration and production industries as well as to downstream processing operators in Canada and the United States. The oilfield service markets that the Corporation operates in are directly impacted by the upstream expenditures of oil and gas companies. The main factors which affect these companies are energy prices and the corresponding demand for their product. Lower prices for oil and gas directly impact the cash flows available to the upstream industry for exploration and production expenditures. Other economic factors which can impact this business include changes in taxation or regulatory regimes, the availability of capital through the debt and equity markets, exchange rates - particularly the U.S./Canadian dollar and the general state of the world economy. Non-economic factors include weather, politics of international governments and activities of the Organization of Petroleum Exporting Countries (“OPEC”).

Precision’s business strategies are designed to limit the negative impact of such factors while providing the flexibility to take advantage of opportunities that arise when the business environment changes. The Corporation’s strong balance sheet, strict cost control and adherence to conservative financing practices provides the resilience to withstand and benefit from downturns and upturns throughout the business cycle. The investment made by Precision in the rental and industrial businesses help mitigate against the cyclicity of upstream operations which react quickly to changes in oil and gas prices. In addition, much of Precision’s labour force is utilized only when work is available, therefore, reduced demand for equipment and services is somewhat matched by reduced costs.

Movements in exchange rates could have some impact on the Corporation’s business but at present this exposure is not deemed to be significant. The Corporation monitors exchange rates and takes appropriate steps to minimize any risk that could be deemed significant.

A comprehensive insurance and risk management program is maintained to protect the Corporation’s assets and operations. 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.

YEAR 2000 COMPLIANCE

The Year 2000 “Millennium Bug” presents virtually every business with challenges to avoid disruption relating to computing problems arising from a failure to recognize the year 2000. The challenge Precision is faced with is to ensure that not only all of the Corporation’s computers and other electronic equipment (e.g. telephone switchboard, drilling and compressor equipment, etc.) that may have internal clocks and/or software which is time sensitive, are compliant, but also that suppliers to Precision are compliant, especially where the supplies are of a critical nature. Management has recognized this challenge and the serious risk associated with failure to comply on a timely basis and in particular the importance of this issue to its customers and business. Accordingly it has established a Project team to address the problem and to identify the necessary steps to minimize the risks associated with the Millennium Bug.

A Vice President has been charged with the responsibility of overseeing the project and ensuring adequate resources are brought to bear. This project is known internally as Transformation 2000. Representatives from each of the Precision companies and divisions as well as senior information system representatives and outside consultants have been appointed to the Transformation 2000 team. Precision has also engaged IBM, a world recognized expert in dealing with the Millennium Bug, to provide lead consulting assistance with the project.

The initial phase of the project was the assessment stage. This process involved the Transformation 2000 team in conducting internal audits of time sensitive systems, establishing an inventory of compliant and non-compliant hardware and software and identifying all suppliers of materials and services whose systems used by or supplied to Precision may be non-compliant. This stage has now been completed and a report on areas of non-compliance and risk assessment will be provided to management in the second quarter of fiscal 1999. The costs associated with this phase of the project were approximately $600,000 which have been expensed in the 1998 fiscal year.

The second stage of the project is to establish a remediation plan for all non-compliant hardware and software on a priority basis. At this point Management is unable to determine the cost of remediation or the related potential effect on the Corporation's earnings, although Management does not expect costs to be material.

OUTLOOK

With oil storage levels at all time highs and the price of West Texas Intermediate Oil at ten year lows, the prospects for the coming fiscal year are less positive than at this juncture last year. However, the Corporation's outlook is far from gloomy. The industry is currently projecting a reduction in wells drilled from 16,485 in calendar 1997 to around 12,000 in 1998, down 27%, however, with the industry focused more towards deep gas targets, the average time to drill a well in 1998 is likely to increase from 8.3 to 9.0 days. In terms of drilling days, this will likely mean a total of 108,000 days compared to around 129,000 in calendar 1997, thus down 16% year over year.

Precision supports its operations with state-of-the-art computer hardware and software technology

Certainly oil companies will be more cautious during this period of low oil prices and some will be cutting capital expenditure programs in response to lower operating cash flow and the shortage of equity funding. Others however, are shifting focus to natural gas and the more lucrative U.S. markets that the new pipeline expansion are likely to bring. The Corporation has established a strong alliance with many of the major oil and gas companies and with its fleet of 88 deep drilling rigs is favorably positioned to benefit from the shift to the deeper gas drilling.

The Corporation's strategic move into the underbalanced drilling area is also cause for some optimism. The acquisitions of Northland and Inter-Tech in May and June 1998 have added another dimension to the organization by further expanding the types of services it provides and broadening its international presence. The underbalanced drilling industry is in a lot of ways still in its embryonic stage even though it first appeared in Canada in the late 1980's. In Canada only approximately 400 wells or less than 3% of total wells were drilled underbalanced in 1997. Some analysts believe that this will grow to 13% within five years. On the international stage underbalanced drilling has lagged the activity in Canada, but this is expected to change in the near term. Results from wells drilled in the North Sea, Indonesia and South America have encouraged operators to extend and expand contracts. Some observers predict a 30% increase in the overall underbalanced market in 1998. Precision believes its acquisitions along with its track record of strong controlled growth will enable it to be at the fore-front of this exciting new area.

Jan Campbell
Corporate Secretary

The Corporation is also encouraged by the outlook for its other major segment Rental and Production Services. This group had strong performance in fiscal 1998 in both the industrial process and rental businesses, and this performance is likely to continue into the next fiscal year. Taking into account the recent merger of two large rental companies in the U.S. and the resulting high trading multiples, the valuations attracted to independent compression companies, and the dominant market share our own businesses enjoy, it is evident that this segment has not been rewarded with the same industry multiples.

In fiscal 1999 the Corporation will continue to develop its existing businesses by reinvesting in quality people and upgrading equipment. The safety of people remain a priority and the Corporation will continue to spend money on training and equipment, which reduces the dangers to employees. Precision will continue to look for acquisition opportunities, but it is not focused on growth at any cost. An acquisition line of $70.0 million is available to it now, and the Corporation has not ruled out going to the debt market to raise funds if the right opportunity comes along. The Corporation will continue to monitor its share price versus its view of its own intrinsic value and will buy back shares if deemed appropriate by the Board of Directors.

Financial Reports

Fiscal 1998 represented another exceptional year for Precision throughout all of its business segments.

Rental and Production Services. This group had strong performance in fiscal 1998 in both the industrial process and rental businesses, and this performance is likely to continue into the next fiscal year.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

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, was 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
Chief Financial Officer

(signed)

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

July 28, 1998

AUDITORS' REPORT TO SHAREHOLDERS

We have audited the consolidated balance sheets of Precision Drilling Corporation as at April 30, 1998 and 1997 and the consolidated statements of earnings and retained earnings and changes in financial position for the 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, 1998 and 1997 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)

Chartered Accountants
Calgary, Canada
June 24, 1998

CONSOLIDATED BALANCE SHEETS

April 30, 1998 and 1997

(Stated in thousands of dollars)		1998	1997
Assets			
Current assets:			
Cash		$ 41,446	$ 470
Accounts receivable		214,620	123,433
Inventory		36,678	29,485
		292,744	153,388
Property, plant and equipment, at cost			
less accumulated depreciation	*(Note 2)*	643,695	328,503
Goodwill, net of amortization of $14,583 (1997 - $3,401)		209,042	71,407
Investments	*(Note 3)*	41,972	49,540
Deferred financing costs, net of amortization of $943		9,977	–
		$ 1,197,430	$ 602,838
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness		$ –	$ 1,012
Accounts payable and accrued liabilities		107,597	66,149
Income taxes payable		5,702	19,429
Current portion of long-term debt		27,490	27,002
		140,789	113,592
Long-term debt	*(Note 4)*	214,554	96,305
Deferred income taxes		145,517	39,554
Shareholders' equity:			
Share capital	*(Note 5)*	489,651	256,029
Retained earnings		206,919	97,358
		696,570	353,387
Commitments	*(Note 7)*		
Subsequent events	*(Note 13)*		
		$ 1,197,430	$ 602,838

See accompanying notes to consolidated financial statements.

Approved by the Board:

(signed) (signed)

Hank B. Swartout — Director

H. Garth Wiggins — Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Years ended April 30, 1998 and 1997

(Stated in thousands of dollars except per share amounts)		1998	1997
Revenue		$ 1,012,503	$ 455,037
Expenses:			
Operating		620,265	314,934
General and administrative		59,329	29,366
Depreciation and amortization		71,744	25,179
		751,338	369,479
Operating earnings		261,165	85,558
Interest:			
Long-term debt		15,268	3,146
Other		2,623	1,315
Income		(798)	(522)
Dividend income		(1,923)	(653)
Earnings before income taxes		245,995	82,272
Income taxes:	*(Note 6)*		
Current		29,210	31,294
Deferred		99,260	8,619
		128,470	39,913
Net earnings		117,525	42,359
Retained earnings, beginning of year		97,358	54,999
Adjustment on purchase and cancellation of common shares		(7,598)	–
Dividends on preferred shares		(366)	–
Retained earnings, end of year		$ 206,919	$ 97,358
Earnings per share:			
Basic		$ 2.82	$ 1.44
Fully diluted		$ 2.67	$ 1.36

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years ended April 30, 1998 and 1997

(Stated in thousands of dollars except per share amounts)	1998	1997
Cash provided by (used in):		
Operations:		
Net earnings	$ 117,525	$ 42,359
Deduct dividend income	1,923	653
	115,602	41,706
Charges not affecting cash:		
Depreciation and amortization	71,744	25,179
Deferred income taxes	99,260	8,619
Amortization of deferred financing costs	943	–
Funds provided by operations	287,549	75,504
Changes in non-cash working capital components	(36,233)	2,076
	251,316	77,580
Investments:		
Acquisitions	(464,512)	(318,683)
Purchase of property, plant and equipment	(144,227)	(68,856)
Proceeds on sale of property, plant and equipment	21,190	15,288
Investments	60,868	(44,919)
Dividend income	1,923	653
	(524,758)	(416,517)
Financing:		
Increase in long-term debt	200,049	183,626
Repayment of long-term debt	(99,357)	(74,819)
Deferred financing costs	(10,920)	–
Repurchase of common shares	(14,744)	–
Issuance of common shares, net	240,768	178,131
Issuance of preferred shares	43,728	–
Redemption of preferred shares	(43,728)	–
Dividends on preferred shares	(366)	–
	315,430	286,938
Increase (decrease) in cash	41,988	(51,999)
Cash (bank indebtedness), beginning of year	(542)	51,457
Cash (bank indebtedness), end of year	$ 41,446	$ (542)
Funds provided by operations per share:		
Basic	$ 6.92	$ 2.56
Fully diluted	$ 6.49	$ 2.40

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, 1998 and 1997

(Tabular amounts stated in thousands of dollars except per share amounts)

The Corporation's principal activities include the provision of contract land drilling services, in Canada and internationally, oilfield specialty services including well servicing and rental and production services.

The financial statements are prepared in accordance with generally accepted accounting principles in Canada. Management is required 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.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Corporation and its subsidiaries.

(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. If there is an other than a temporary decline in value, these investments would be written down to their net realizable value.

(d) Property, plant and equipment:

Drilling rig equipment is depreciated on a unit-of-production method based on 3,650 drilling days (1997 - 3,000 days), except for drill pipe and drill collars which are depreciated over 1,100 drilling days. Service rig equipment is depreciated on a unit-of-production method based on the 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 5 to 15 years. Other equipment is depreciated on a straight-line basis over periods ranging from 3 to 10 years.

Light duty vehicles are depreciated on a straight-line basis over 4 years. Heavy duty vehicles are depreciated on a straight-line basis over 10 years.

Buildings are depreciated on a straight-line basis over periods ranging from 10 to 30 years.

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) Deferred financing costs:

Costs associated with the issuance of the 6.85% debentures are being deferred and amortized substantially on a straight line basis over 10 years. The amortization is included in interest expense.

(f) 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.

(g) Income taxes:

The Corporation follows the tax allocation method of accounting for income taxes. Under this method, deferred income taxes are recorded to the extent that taxable income otherwise determined is adjusted by timing differences.

(h) Post employment benefits:

The Corporation has entered into an employment agreement of no fixed term 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.

(i) 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.

2. PROPERTY, PLANT AND EQUIPMENT:

1998	Cost	Accumulated depreciation	Net book value
Rig equipment	$ 518,516	$ 86,300	$ 432,216
Rental equipment	131,056	15,285	115,771
Other equipment	56,850	14,803	42,047
Vehicles	21,801	6,598	15,203
Buildings	21,216	2,975	18,241
Oil and gas properties	12,493	1,415	11,078
Land	9,139	–	9,139
	$ 771,071	$ 127,376	$ 643,695

1997	Cost	Accumulated depreciation	Net book value
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

Included in property, plant and equipment are assets with a net book value of $140.0 million at April 30, 1998 ($52.6 million at April 30, 1997) that are without tax basis. During 1998, the estimated life of drilling rig equipment was changed from 3,000 to 3,650 drilling days. The change in estimate resulted in a reduction of depreciation expense for 1998 of $5.7 million and an increase in net earnings after income taxes of $2.8 million ($0.07 per share) from what otherwise would have been reported had the change not been made. During 1998 the Corporation changed the method of accounting for drill pipe and drill collars from expensing all purchases to capitalizing the purchases and depreciating them over 1,100 drilling days. The change has been applied prospectively as amounts prior to 1998 were not significant. The change results in a net reduction of expense for 1998 in the amount of $8.5 million and an increase in net earnings after income taxes of $4.1 million ($0.10 per share) from what otherwise would have been reported had the change not been made. Depreciation and amortization for 1998 includes amortization of goodwill in the amount of $11.2 million (1997 - $3.4 million).

3. INVESTMENTS:

	1998	1997
Shares of Computalog Ltd., at cost	$ 30,000	$ –
Others, at cost	8,624	4,519
Others, at equity	3,348	1,395
Shares of Kenting Energy Services, Inc. and Lynx Energy Services Corp., at cost	–	43,626
	$ 41,972	$ 49,540

4. LONG-TERM DEBT:

	1998	1997
Unsecured Debentures	$ 200,000	$ –
Operating Loan Facility	–	43,626
Term Acquisition Loan	36,000	70,000
Drilling Rig Acquisition Facility	5,993	9,604
Capital lease obligations	51	77
	242,044	123,307
Less amounts due within one year	27,490	27,002
	$ 214,554	$ 96,305

On June 26, 1997 the Corporation issued $200.0 million 6.85% unsecured debentures maturing June 26, 2007 with an effective interest rate of 7.44% after taking into account the deferred financing costs. The debentures are redeemable at any time at the option of the Corporation upon payment of a redemption price equal to the greater of the Canada Yield Price and par.

During 1998, the Corporation established unsecured banking facilities (the “Facilities”) with a syndication led by a Canadian chartered bank. The Facilities include the following:

i) Operating Loan Facility - $50.0 million (or US$ equivalent) revolving term

ii) Acquisition Loan Facility - $70.0 million (or US$ equivalent) revolving term

iii) Term Acquisition Loan - $60.0 million (or US$ equivalent) non-revolving term

Advances under the Facilities 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 plus applicable margin, and bankers’ acceptance rates plus applicable margin. The applicable margin is dependent on the Corporation’s credit rating which at present results in margins ranging between 0.5% and 0.625%.

The Operating Loan Facility and the Acquisition Loan Facility are extendable annually at the option of the lender, and have been extended to June 24, 1999. Should the Operating Loan Facility not be extended, outstanding amounts will be transferred to a two year term facility repayable in equal quarterly installments. The Acquisition Loan Facility is repayable within a two year period from the date of drawing. As at April 30, 1998, no amounts were drawn under either of these facilities.

The Term Acquisition Loan is repayable in equal semi-annual installments up to October 31, 1999.

During 1998 the Corporation increased its existing secured facility for financing the construction of new drilling rigs (“Drilling Rig Acquisition Facility”) to $40.0 million. The amount currently outstanding is scheduled for repayment in minimum monthly installments aggregating $290,000. Advances under the Drilling Rig Acquisition Facility bear interest at the bank’s prime lending rate. The other interest rate available to the Corporation in respect of this facility is bankers’ acceptance plus stamping fee of 0.625%. 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.

Principal repayments over the next five years are as follows:

1999	$ 27,490
2000	14,273
2001	258
2002	12
2003	11

5. SHARE CAPITAL:

Authorized:

- unlimited number of non-voting cumulative convertible redeemable preferred shares without nominal or par value
- unlimited number of common shares without nominal or par value

During 1997, the shareholders of the Corporation approved amendments 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:

Preferred Shares:	Issued	
	Number	Amount
Balance, April 30, 1997	–	$ –
Issued on acquisition of Kenting Energy Services Inc.	4,805,315	43,728
Redeemed for common shares	(4,420,185)	(40,223)
Redeemed for cash	(385,130)	(3,505)
Balance, April 30, 1998	–	$ –

The holders of preferred shares were entitled to receive fixed cumulative preferential cash dividends at a rate of $0.2275 per share per annum accrued from date of issue. At the option of the Corporation the preferred shares were convertible into common shares or redeemable at the redemption price of $9.10 per share.

Common Shares:	Issued	
	Number	Amount
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
Issued on acquisition of Kenting Energy Services Inc.	3,742,061	194,400
Options exercised	259,330	4,421
Issued on redemption of preferred shares	596,028	39,725
Balance September 30, 1997	20,962,036	494,575
Issued on 2:1 stock split	20,962,036	–
Options exercised	163,900	1,724
Issued on redemption of preferred shares	14,946	498
Repurchased for cash	(605,400)	(7,146)
Balance, April 30, 1998	41,497,518	$ 489,651

On September 30, 1997, the Corporation split its outstanding common shares on a two for one basis.

During 1998 pursuant to an issuer bid, the Corporation purchased 605,400 shares for an aggregate consideration of $14.7 million.

At April 30, 1998 the Corporation has stock options outstanding for 3,141,600 common shares under its equity incentive plans. These options become exercisable at prices varying between $2.25 and $44.38 per share over four years in equal amounts, from the date of granting and expire from time to time to April 30, 2003.

Details of options outstanding, adjusted to retroactively reflect the share split are as follows:

	Options Outstanding	Range of Exercise Price	Weighted Average Exercise Price	Options Exercisable
Outstanding at April 30, 1996	1,347,314	$ 1.13 – 11.57	$ 6.87	222,192
Granted	2,185,778	13.75 – 29.50	16.41	
Exercised	(434,442)	1.13 – 8.00	6.12	
Canceled or expired	(242,550)	7.00 – 14.08	13.64	
Outstanding at April 30, 1997	2,856,100	2.25 – 29.50	13.68	283,060
Granted	1,528,060	23.60 – 44.38	30.27	
Exercised	(682,560)	2.25 – 26.63	9.17	
Canceled or expired	(560,000)	7.50 – 44.15	26.96	
Outstanding at April 30, 1998	3,141,600	$ 2.25 – 44.38	$ 20.36	208,462

The range of exercise prices for options outstanding at April 30, 1998 are as follows:

Range of Exercise Prices	Options Outstanding	Weighted Average Exercise Price	Options Exercisable
$ 2.25 – 9.99	274,762	$ 6.97	118,062
10.00 – 19.99	1,274,592	13.84	55,600
20.00 – 29.99	830,246	23.91	34,800
30.00 – 39.99	742,000	31.91	–
40.00 – 44.38	20,000	44.38	–
$ 2.25 – 44.38	3,141,600	$ 20.36	208,462

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:

	1998	1997
Earnings before income taxes	$ 245,995	$ 82,272
Income tax rate	45%	45%
Expected income tax provision	$ 110,698	$ 37,022
Add (deduct):		
Non-deductible subsistence payments	3,632	–
Losses of subsidiaries	–	606
Non-deductible depreciation and amortization	11,231	2,474
Dividend income from taxable Canadian corporation	(865)	(294)
Other	3,774	105
	$ 128,470	$ 39,913

The Corporation's operations are complex and the computation of the provision for income taxes involves tax interpretations, regulations and legislation that are continually changing. There are tax matters that have not yet been confirmed by taxation authorities; however, management believes that the provision for income taxes is adequate.

7. COMMITMENTS:

The Corporation has commitments for operating lease agreements in the aggregate amount of $19.8 million. Payments over the next five years are as follows:

1999	$ 6,352
2000	5,062
2001	3,465
2002	2,166
2003	839

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

1998	$ 2,691
1997	1,853

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 1998 was 41,517,352 (1997 - 29,562,696).

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.

The per share amounts have been adjusted to retroactively reflect the share split completed during the year.

9. SIGNIFICANT CUSTOMERS:

During 1998, the Corporation had two major customers from which is derived 16% (1997-16%) of its revenue.

10. ACQUISITIONS:

During 1998 the Corporation completed acquisitions, the most significant of which was the acquisition of all of the issued and outstanding shares of Kenting Energy Services Inc. (including the drilling assets of Lynx Energy Services Corp.) ("Kenting"). Kenting conducted contract drilling in Canada and certain international market places. 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:

	Kenting	Other	Total
Date of acquisitions	May 1997		
Net assets acquired at assigned values:			
Working capital	$ 15,672 (a)	$ 208 (b)	$ 15,880
Property, plant and equipment	252,501	216	252,717
Goodwill	148,012	805	148,817
Investments	53,300	–	53,300
Long-term debt	(18,000)	(45)	(18,045)
Deferred income taxes	(6,703)	–	(6,703)
	$ 444,782	$ 1,184	$ 445,966
Consideration:			
Shares - common	$ 194,400	$ –	$ 194,400
- preferred	43,728	–	43,728
Cash	206,654	1,184	207,838
	$ 444,782	$ 1,184	$ 445,966

(a) Includes bank indebtedness of $17,761
(b) Includes bank indebtedness of $785

Had the acquisition of Kenting, completed in 1998, been completed effective May 1, 1996, the amounts of revenue, net earnings and earnings per share for the year ended April 30, 1997 would have been approximately as follows: $699.1 million, $40.0 million and $1.05 per share, respectively. The pro forma amounts have been based on the results of the Corporation for the year ended April 30, 1997 and the results of Kenting for the year ended December 31, 1996. The results of operations relating to the other acquisitions would not have a significant impact on the pro forma information.

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 significant acquisitions are as follows:

	EnServ	Rostel	Brelco and Ducharme	Total
Date of acquisition	June 1996	December 1996	January 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

11. 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 on 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, 1998			
Property, plant and equipment	$ 643,695	$ 63,000	$ 706,695
Deferred income taxes	$ 145,517	$ 63,000	$ 208,517
April 30, 1997			
Property, plant and equipment	$ 328,503	$ 23,659	$ 352,162
Deferred income taxes	$ 39,554	$ 23,659	$ 63,213

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 ("EPS") reflects the application of treasury stock method for outstanding options. Earnings per share under U.S. GAAP is as follows: basic $2.82 (1997 - $1.44) and fully diluted $2.74 (1997 - $1.37). These amounts have been calculated after taking into effect the impact of dividends on preferred shares of $366,000 and the issuance of shares pursuant to exercise of options of 1,172,182 (1997 - 1,379,296). Options to purchase 275,772 (1997 - 602,049) common shares were not included in the computation of fully diluted EPS as the option's exercise price was greater than the average market price of the common shares during 1998.

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.

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 statements of changes in financial position:

	1998	1997
Investments:		
Acquisitions	$ 238,128	$ 103,236
Financing:		
Issuance of shares	$ (238,128)	$ (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:

	1998	1997
Change in bank indebtedness	$ (1,012)	$ 488

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

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

	1998	1997
Operations:		
As reported	$ 251,316	$ 77,580
Effect of above differences	1,923	653
Under U.S. GAAP	$ 253,239	$ 78,233
Investments:		
As reported	$ (524,758)	$ (416,517)
Effect of above differences	236,205	102,583
Under U.S. GAAP	$ (288,553)	$ (313,934)
Financing:		
As reported	$ 315,430	$ 286,938
Effect of above differences	(239,140)	(102,748)
Under U.S. GAAP	$ 76,290	$ 184,190

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

	1998	1997
Cash interest paid	$ 12,920	$ 4,163
Cash income taxes paid	$ 35,856	$ 14,719
Components of change in non-cash working capital:		
Accounts receivable	$ (17,148)	$ (16,095)
Inventory	(5,972)	(6,953)
Accounts payable and accrued liabilities	2,414	9,874
Income taxes payable	(15,527)	15,250
	$ (36,233)	$ 2,076

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

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

	1998	1997
Accounts payable	$ 45,517	$ 33,846
Accrued liabilities:		
Payroll	33,884	13,951
Other	28,196	18,352
	$ 107,597	$ 66,149

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

	1998	1997
Deferred tax liabilities:		
Property, plant and equipment	$ 211,517	$ 66,187
Deferred financing costs	4,539	–
	216,056	66,187
Deferred tax assets:		
Reserves	4,333	–
Share issue costs	3,206	2,974
	7,539	2,974
Valuation allowance	–	–
Net deferred tax liability	$ 208,517	$ 63,213

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 1998 and 1997 was $13.00 and $15.58 on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions: 1998 - risk-free interest rate of 5.0%, expected life of 5 years and expected volatility of 40.0%; 1997 - risk-free interest rate of 6.6%, expected life of 5 years and expected volatility of 40.0%.

Had the Corporation determined compensation costs 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 by $4.5 million to $113.0 million (basic EPS $2.72) and decreased by $2.2 million to $40.2 million (basic EPS $1.31) for the years ended April 30, 1998 and 1997, respectively. These pro forma earnings reflect compensation cost amortized over the options' vesting period.

12. SEGMENTED INFORMATION:

The Corporation operates in three industry segments which are substantially in one geographic segment. Contract Drilling Services, Oilfield Specialty Services, which includes well servicing and Rental and Production Services, which includes compression equipment sales and services, oilfield equipment rental services, industrial equipment rentals and other industrial process services.

Prior to 1998 the Corporation operated in two industry segments. Amounts related to 1997 have been reclassified into three industry segments. The amounts are as follows:

Year ended April 30, 1998	Contract Drilling Services	Oilfield Specialty Services	Rental and Production Services	Total
Revenue	$ 690,299	$ 57,565	$ 264,639	$1,012,503
Operating earnings	206,528	8,648	45,989	261,165
Depreciation and amortization	45,050	4,823	21,871	71,744
Assets	843,132	54,893	299,405	1,197,430
Capital expenditures*	96,770	13,315	34,142	144,227

* *(excludes acquisitions)*

Year ended April 30, 1997	Contract Drilling Services	Oilfield Specialty Services	Rental and Production Services	Total
Revenue	$ 215,422	$ 39,137	$ 200,478	$ 455,037
Operating earnings	45,422	5,936	34,200	85,558
Depreciation and amortization	10,343	3,314	11,522	25,179
Assets	246,334	47,464	309,040	602,838
Capital expenditures*	14,881	17,843	36,132	68,856

* *(excludes acquisitions)*

13. SUBSEQUENT EVENTS:

Subsequent to year end, the Corporation acquired all of the issued and outstanding shares of Northland Energy Corporation and Inter-Tech Drilling Solutions Ltd. and seven land drilling rigs and related equipment. Total consideration paid in connection with these acquisitions amounted to $118.0 million in cash and shares. The net assets acquired at approximate values include capital assets $50.6 million, net current assets $0.9 million, goodwill $79.2 million, deferred tax asset $5.3 million offset by long-term debt $18.0 million.

The acquisitions will be accounted for by the purchase method with the results of operations of the acquired entities included in the financial statements of the Corporation from the date of acquisition.

Subsequent to year end the Corporation has also entered into letters of intent to purchase service and rental assets for a total cash consideration of $33.0 million.

The Corporation expects to use existing loan facilities to complete the above acquisitions.

14. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved. The Corporation has considered the implications of the Year 2000 Issue and has implemented an assessment, strategy and remediation plan to address these risks.

15. FINANCIAL INSTRUMENTS:

The carrying value 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, exclusive of the unsecured debentures, approximates its carrying value as it bears interest at floating rates. The unsecured debentures carrying value approximates their fair value as the negotiable interest rate would remain unchanged as at April 30, 1998. Investments which have a carrying value of $42.0 million have a fair value of approximately $62.0 million as at April 30, 1998.

Accounts receivable include balances from a large number of customers. The Corporation assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Corporation views the credit risks on these amounts as normal for the industry.

The Corporation manages its exposure to interest rate risks through a combination of fixed and floating rate borrowings. As at April 30, 1998 17% of its total long-term debt was in floating rate borrowings.

The Corporation is exposed to foreign currency fluctuations in relation to their international operations, however, management believes this exposure is not material to its overall operations.

Ten Year Summary Data

STATEMENTS OF EARNINGS AND RETAINED EARNINGS *Years ended April 30, 1989 – 1998*

($000's except per share amounts)	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Revenue	$1,012,503	455,037	163,102	178,597	97,550	44,301	31,021	40,075	31,686	37,730
Expenses:										
Operating	620,265	314,934	111,798	122,419	68,083	30,970	23,396	31,496	24,672	30,171
General and administrative	59,329	29,366	12,278	12,070	8,809	4,269	3,548	3,885	3,884	3,593
Depreciation and amortization	71,744	25,179	7,736	9,800	4,982	2,209	1,717	1,459	1,165	1,396
Foreign exchange	–	–	671	19	–	–	–	–	–	–
Write-down of equipment	–	–	–	–	–	–	–	–	5,093	–
Interest long-term	15,268	3,146	727	1,196	330	389	620	582	1,065	1,367
Interest other, net	1,825	793	8	347	204	–	–	73	84	150
	768,431	373,418	133,218	145,851	82,408	37,837	29,281	37,495	35,963	36,677
	244,072	81,619	29,884	32,746	15,142	6,464	1,740	2,580	(4,277)	1,053
Forgiveness of long-term debt	–	–	–	–	–	–	–	–	5,150	–
Dividend income	1,923	653	381	718	–	322	498	–	–	–
Earnings before taxes and minority interest	245,995	82,272	30,265	33,464	15,142	6,786	2,238	2,580	873	1,053
Income taxes:										
Current	29,210	31,294	9,831	14,916	3,793	1,520	44	27	18	–
Deferred (recovery)	99,260	8,619	2,670	1,431	3,340	1,480	900	1,167	(31)	496
	128,470	39,913	12,501	16,347	7,133	3,000	944	1,194	(13)	496
Earnings before minority interest	117,525	42,359	17,764	17,117	8,009	3,786	1,294	1,386	886	557
Minority interest	–	–	196	231	8	45	–	–	–	–
Net earnings	117,525	42,359	17,568	16,886	8,001	3,741	1,294	1,386	886	557
Retained earnings, beginning of year	97,358	54,999	37,431	20,724	12,723	8,982	7,997	6,611	5,725	5,168
Adjustment on purchase and cancellation of share capital	(7,598)	–	–	(179)	–	–	(309)	–	–	–
Dividends on preferred shares	(366)	–	–	–	–	–	–	–	–	–
Retained earnings, end of year	$ 206,919	97,358	54,999	37,431	20,724	12,723	8,982	7,997	6,611	5,725
Earnings per share										
Basic	$ 2.82	1.44	1.04	1.03	0.51	0.32	0.12	0.12	0.08	0.05
Fully Diluted	$ 2.67	1.36	0.96	0.94	n/a	n/a	n/a	n/a	n/a	n/a

Ten Year Summary Data

ADDITIONAL SELECTED FINANCIAL DATA *Years ended April 30, 1989 – 1998*

($000's except per share amounts)	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Returns										
Return on Sales (1)	11.6%	9.3%	10.8%	9.5%	8.2%	8.4%	4.2%	3.5%	2.8%	1.5%
Return on Assets (2)	9.8%	7.0%	10.0%	14.2%	8.0%	9.7%	4.5%	4.4%	3.2%	1.8%
Return on Equity (3)	16.9%	12.0%	13.4%	25.2%	16.0%	17.0%	8.6%	9.7%	7.0%	4.8%
Financial Position										
Working capital	151,955	39,796	67,016	8,354	3,335	6,173	4,472	4,583	3,787	2,481
Current ratio	2.08	1.35	4.01	1.21	1.11	1.69	2.01	1.62	1.53	1.34
Net fixed assets	643,695	328,503	81,958	66,798	64,776	22,266	19,050	18,704	15,711	20,777
Total assets	1,197,430	602,838	175,567	119,055	100,629	38,564	28,661	31,419	27,415	31,229
Long-term debt	242,044	123,307	14,393	10,752	17,050	2,407	6,170	8,943	6,250	11,400
Shareholders' equity	696,570	353,387	130,794	66,951	50,146	22,065	15,111	14,278	12,724	11,675
Total long-term debt to shareholders' equity	0.35	0.35	0.11	0.16	0.34	0.11	0.41	0.63	0.49	0.98
Net capital additions including acquisitions	587,549	372,251	23,135	11,822	47,492	5,425	2,063	4,452	1,074	985
Operating earnings	261,165	85,558	31,290	34,308	15,676	6,853	2,360	3,235	1,965	2,570
Operating earnings - % of sales	25.8%	18.8%	19.2%	19.2%	16.1%	15.5%	7.6%	8.1%	6.2%	6.8%
Cash flow (4)	289,472	76,157	28,170	28,348	16,331	7,475	3,911	4,012	1,963	2,449
Cash flow per share	6.97	2.58	1.66	1.73	1.04	0.63	0.35	0.35	0.18	0.22
Depreciation and amortization	71,744	25,179	7,736	9,800	4,982	2,209	1,717	1,459	1,165	1,396
Common Share Data										
Book value per share (5)	16.78	11.96	7.70	4.09	3.19	1.85	1.33	1.24	1.14	1.06
Earnings per share (6)	2.82	1.44	1.04	1.03	0.51	0.32	0.12	0.12	0.08	0.05
Price Earnings Ratio (7)	12.06	16.88	12.32	6.74	16.05	16.07	9.78	10.42	17.40	19.80
Weighted average common shares outstanding (000's)	41,517	29,563	16,988	16,398	15,738	11,944	11,392	11,496	11,218	11,016

(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.*

Corporate Information

HEAD OFFICE

700, 112 - 4th Avenue S.W.
Calgary, Alberta T2P 0H3
Telephone: (403) 716-4500
Facsimile: (403) 264-0251
Website: www.precisiondrilling.com

SUBSIDIARIES

CEDA International Corporation

200, 6712 Fisher Street S.E.
Calgary, Alberta T2H 2A7
Telephone: (403) 253-3233
Facsimile: (403) 252-6700

Certified Rentals Inc.

6110 - 86th Street
Edmonton, Alberta T6E 5K2
Telephone: (403) 461-2900
Facsimile: (403) 463-8855

Columbia Oilfield Supply Ltd.

9280 - 25th Avenue
Edmonton, Alberta T6N 1E1
Telephone: (403) 437-5110
Facsimile: (403) 436-0229

Ducharme Oilfield Rentals Inc.

3000, 500 - 4th Avenue S.W.
Calgary, Alberta T2P 2V6
Telephone: (403) 266-4703
Facsimile: (403) 265-5393

Energy Industries Inc.

4303 - 11th Street N.E.
Calgary, Alberta T2E 6K4
Telephone: (403) 250-9415
Facsimile: (403) 250-1339

Inter-Tech Drilling Solutions Ltd.

900, 734 - 7th Avenue S.W.
Calgary, Alberta T2P 3P8
Telephone: (403) 205-4085
Facsimile: (403) 253-9006

LRG Catering Ltd.

9280 - 25th Avenue
Edmonton, Alberta T6N 1E1
Telephone: (403) 944-9003
Facsimile: (403) 462-0676

Montero Resources Corp.

700, 112 - 4th Avenue S.W.
Calgary, Alberta T2P 0H3
Telephone: (403) 716-4500
Facsimile: (403) 716-4947

Northland Energy Corporation

200 Northland Place
407 - Third St. S.W.
Calgary, Alberta T2P 4Z2
Telephone: (403) 264-9700
Facsimile: (403) 234-0854

P. D. International Services Inc.

1000, 112 - 4th Avenue S.W.
Calgary, Alberta T2P 0H3
Telephone: (403) 264-4882
Facsimile: (403) 266-1480

P. D. Technical Services Inc.

2nd Floor Trident House,
Broad Street
Bridgetown, Barbados
West Indies
Telephone: (246) 437-8921
Facsimile: (246) 429-3485

Precision Drilling de Venezuela, C.A.

El Tigre, Venezuela
Telephone: 011-58-83412701
Facsimile: 011-58-83412822

Precision Drilling Limited Partnership

1000, 112 - 4th Avenue S.W.
Calgary, Alberta T2P 0H3
Telephone: (403) 264-4882
Facsimile: (403) 266-1480

Rostel Industries Ltd.

9699 Sheppard Road S.E.
Calgary, Alberta T2C 4K5
Telephone: (403) 720-3999
Facsimile: (403) 720-3838

Smoky Oilfield Rentals Ltd.

RR #2, Site 7, Box 33
Grande Prairie, Alberta T8V 2Z9
Telephone: (403) 532-0788
Facsimile: (403) 532-5602

DIVISIONS

Drive Well Servicing

7774 - 47th Avenue Close
Red Deer, Alberta T4P 2J9
Telephone: (403) 346-8921
Facsimile: (403) 347-9266

Live Well Service

607 - 15th Avenue
Nisku, Alberta T0C 2G0
Telephone: (403) 955-2029
Facsimile: (403) 955-8949

Corporate Information

DIRECTORS

Troy E. Ducharme
Calgary, Alberta

W.C. (Mickey) Dunn (2)
Edmonton, Alberta

Robert J. S. Gibson (1) (2)
Calgary, Alberta

Murray K. Mullen (3)
Calgary, Alberta

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

Hank B. Swartout
Calgary, Alberta

H. Garth Wiggins (1) (3)
Calgary, Alberta

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

OFFICERS

Hank B. Swartout
Chairman of the Board, President & Chief Executive Officer

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

J. Blair Goertzen
Senior Vice President
Business Development

Dwayne E. Peters
Senior Vice President Operations
Canadian Drilling

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

M.J. (Mick) McNulty
Vice President Finance

Jan M. Campbell
Corporate Secretary

OPERATIONS MANAGEMENT

Larry Coston
Vice President Marketing
Canadian Drilling

Tom Facette
Vice President
& General Manager
Smoky Oilfield Rentals Ltd.

Brent Gogol
General Manager
Ducharme Oilfield Rentals Inc.

Ivan Heidecker
Assistant General Manager
Energy Industries Inc.

Mark Helmer
Vice President International
Drilling Operations

Leo Jegen
Senior Vice President
Northland Energy Corporation

John Jacobsen
Vice President Operations
Canadian Drilling

Rick Kautz
Vice President
Columbia Oilfield Supply Ltd.

Ernest Koop
President
CEDA International Corporation

Larry MacPherson
General Manager
Live Well Service

Tim O'Brien
Vice President
& General Manager
Certified Rentals Inc.

Don Pack
General Manager
Drive Well Servicing

Richard Seto
Vice President
& General Manager
Inter-Tech Drilling Solutions Ltd.

Gordon Skulmoski
Vice President Operations
Canadian Drilling

Yook Tong
General Manager
Rostel Industries Ltd.

Doug White
General Manager
LRG Catering Ltd.

Corporate Information

BANKER

Royal Bank of Canada
Calgary, Alberta

LEGAL COUNSEL

Howard, Mackie
Calgary, Alberta

AUDITORS

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**

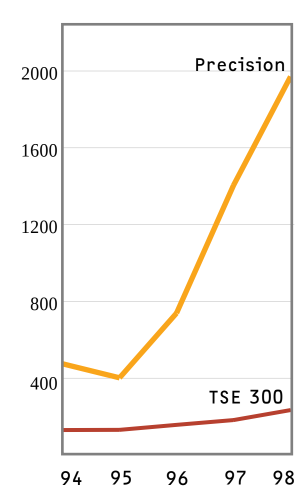
The New York Stock Exchange
Trading Symbol: **PDS**

TRADING PROFILE

Toronto
May 1, 1997 to April 30, 1998
High: $49.50 Low: $23.00
Volume Traded - 53.0 million

New York
May 1, 1997 to April 30, 1998
High: $37 3/16 Low: $16.00
Volume Traded - 65.9 million

COMMON SHARE PERFORMANCE



PUBLISHED INFORMATION

1998 Renewal
Annual Information Form

Estimated Interim Release Dates

1999 First Quarter:
September 24, 1998

1999 Second Quarter:
December 18, 1998

1999 Third Quarter:
March 27, 1999

ANNUAL MEETING

The Annual General and Special 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 17, 1998. 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.

PRECISION DRILLING CORPORATION

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Calgary, Alberta T2P 0H3
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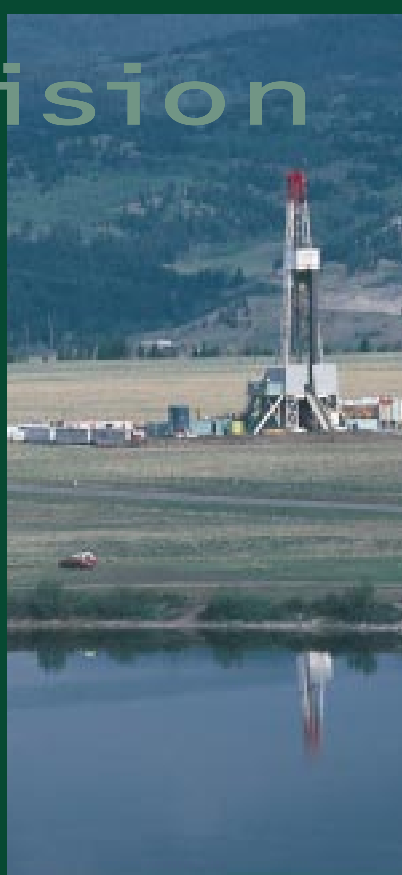
Precision



1998 ANNUAL REPORT