

Precision Drilling Corporation 2012 Annual Report

2012



2012 SHARE TRADING SUMMARY

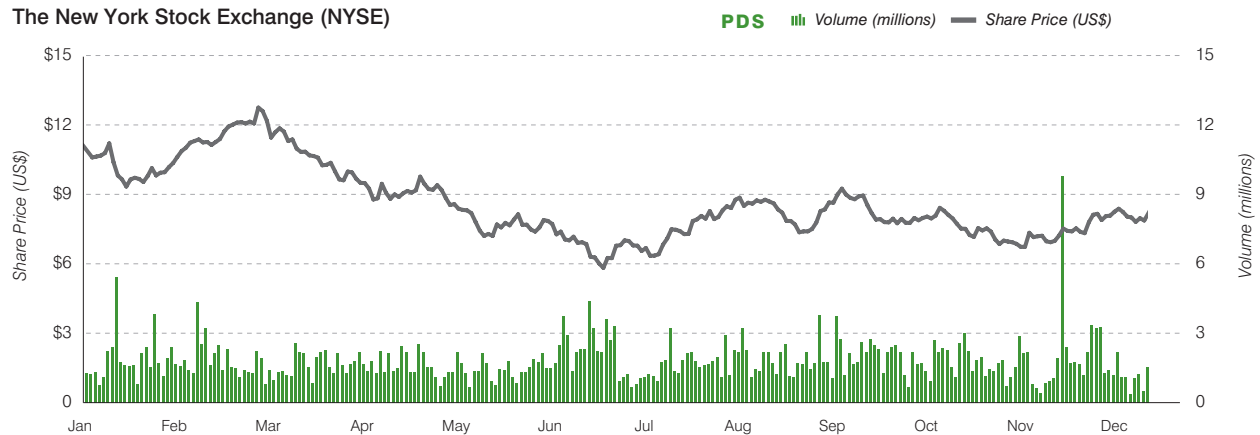
The Toronto Stock Exchange (TSX)



Toronto (TSX: PD)

High: \$12.72 Low: \$5.97 Close: \$8.22 Volume Traded: 338,041,496

The New York Stock Exchange (NYSE)



New York (NYSE: PDS)

High: US\$12.89 Low: US\$5.82 Close: US\$8.28 Volume Traded: 454,653,537

Management's Discussion and Analysis

Consolidated Financial Statements and Notes

Precision Drilling Corporation 2012

What's inside

6	About Precision
8	2012 Highlights and Outlook
12	Contract Drilling Services
13	Completion and Production Services
14	Understanding Our Business Drivers
	The energy industry
	A competitive operating model
	An effective strategy
	Risks to achieving our strategy
26	2012 Results
36	Financial Condition
41	Critical Accounting Estimates
43	Evaluation of Disclosure Controls and Procedures
43	Corporate Governance
44	Consolidated Financial Statements and Notes

Management's Discussion and Analysis

This management's discussion and analysis (MD&A) contains information to help you understand our business and financial performance. Information is as of March 8, 2013. This MD&A focuses on our consolidated financial statements, and includes a discussion of known risks and uncertainties relating to the oilfield services sector. It does not, however, cover the potential effects of general economic, political, governmental and environmental events, or other events that could affect us in the future.

You should read this MD&A with the accompanying audited consolidated financial statements and notes, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and with the information in *About forward-looking information* on page 4. We began reporting under IFRS effective January 1, 2011, and restated our 2010 results at that time. 2009 and prior years are presented in accordance with previous Canadian Generally Accepted Accounting Principles (Previous Canadian GAAP).

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

All amounts are in Canadian dollars unless otherwise stated.

ABOUT FORWARD-LOOKING INFORMATION

We disclose forward-looking information to help current and prospective investors understand our future prospects. This MD&A contains statements about what we believe, intend and expect about developments, results and events that may or will occur in the future and are forward-looking within the meaning of Canadian securities legislation and the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995 (collectively the forward-looking information and statements).

Forward-looking information and statements in this MD&A:

- typically include words and phrases about the future, such as *anticipate, could, should, can, expect, seek, may, intend, likely, will, plan, estimate* and *believe*
- are based on certain assumptions and analyses based on our experience, understanding of historical trends, current conditions and expected future developments, and other factors we believe are appropriate given the circumstances
- can be affected by known and unknown risks, uncertainties and other factors which could cause actual results to differ materially from our expectations.

Actual results, performance or achievements may be significantly different from what is expressed or implied in the forward-looking information.

Our forward-looking information includes statements about the following, among other things:

- performance of the oil and natural gas industry, including commodity prices
- our capital expenditures and potential international expansion
- 2013 strategic plans
- deployment of additional rigs, building new ones and upgrading existing ones
- the obsolescence of Tier 3 rigs in North American markets over the next few years and Precision exiting the Tier 3 contract drilling business
- the supply and demand for oil and natural gas
- demand for our equipment and services
- the potential impact of current or anticipated regulatory regimes and tax, environmental, health, safety and other laws
- the potential impact of seasonal and weather conditions, competition in markets where we compete, technology advances, finding and retaining employees, reliance on suppliers, credit market conditions, access to additional financing, foreign exchange, international operations as well as other risks and uncertainties discussed herein
- payment of quarterly dividends
- our future growth potential
- remaining compliant with financial ratio covenants
- amounts of contractual obligations not yet accrued.

Risks and uncertainties

This MD&A discusses a number of risks and uncertainties, including the following among others:

- fluctuations in the price and demand for oil and natural gas
- fluctuations in the level of oil and natural gas exploration and development activities
- fluctuations in the demand for contract drilling, directional drilling, well servicing and ancillary oilfield services
- liquidity of the capital markets to fund customer drilling programs
- availability of cash flow, debt and/or equity sources to fund our capital and operating requirements, as needed
- the sustainability of our dividend
- the impact of seasonal and weather conditions on operations and facilities
- competitive operating risks inherent in contract drilling, directional drilling, well servicing and ancillary oilfield services
- ability to improve our rig technology to improve drilling efficiency
- general economic, market or business conditions
- changes in laws or regulations
- availability of qualified personnel, management or other key inputs
- currency exchange fluctuations
- operating in foreign countries
- other unforeseen conditions that could affect the use of our services
- other risks and uncertainties set out in this MD&A under the heading “*Risks to Achieve Our Strategy*”.

These risks and uncertainties are also discussed in our annual information form (AIF), on file with the Canadian securities commissions on SEDAR (www.sedar.com) and with the SEC on EDGAR (www.sec.gov).

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

ADDITIONAL GAAP MEASURES

In this MD&A we reference Generally Accepted Accounting Principles (GAAP) measures that are not defined terms under IFRS to assess performance because we believe they provide useful supplemental information to investors.

Adjusted EBITDA

We believe that Adjusted EBITDA (earnings before income taxes, finance charges, foreign exchange, impairment of goodwill, loss on asset decommissioning and depreciation and amortization) as reported in the Consolidated Statement of Earnings is a useful supplemental measure, because it gives an indication of the results from our principal business activities prior to consideration of how our activities are financed and the impact of foreign exchange, taxation, non-cash depreciation and amortization charges and non-cash decommissioning charges.

Operating earnings

We believe that operating earnings, as reported in the Consolidated Statement of Earnings, is a useful measure of our income because it provides an indication of the results of our principal business activities before consideration of how our activities are financed and the impact of foreign exchange and taxation.

Funds provided by operations

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



About Precision

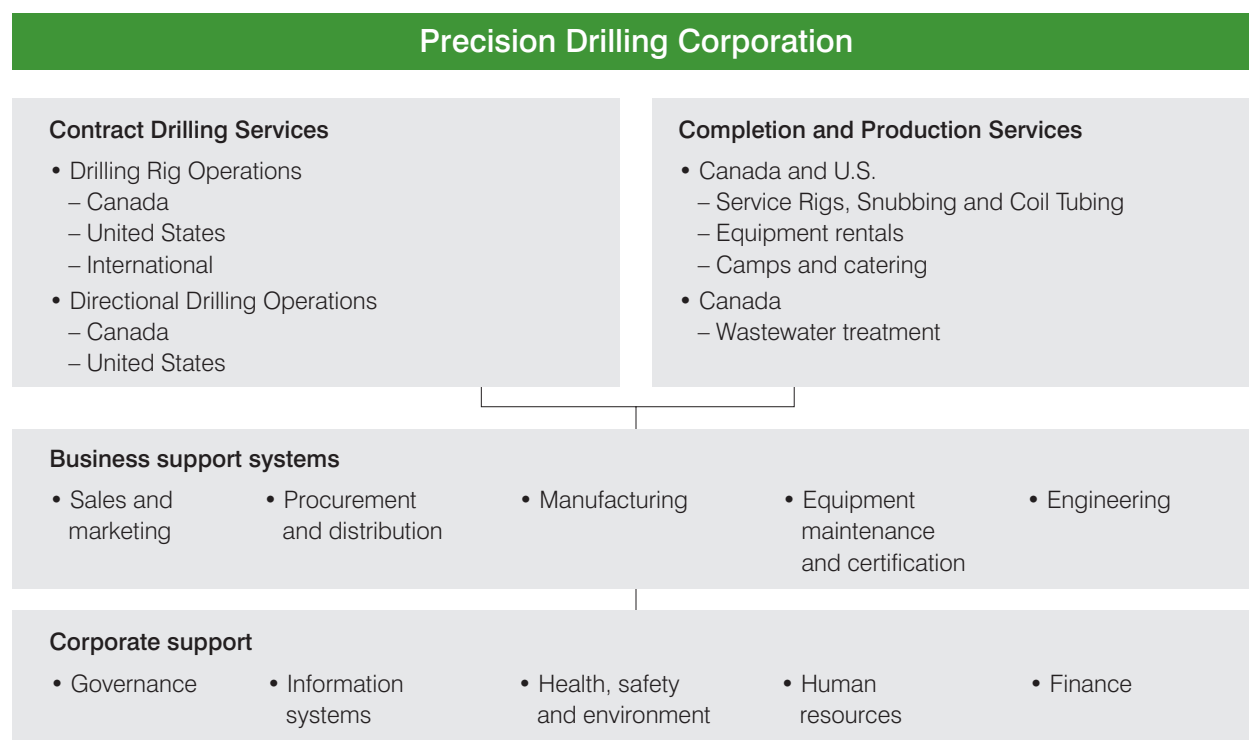
Precision Drilling provides onshore drilling and completion and production services to exploration and production companies in the oil and natural gas industry.

Headquartered in Calgary, Alberta, Canada, we are Canada's largest oilfield services company, and one of the largest drillers in the United States. We also have operations in Mexico and Saudi Arabia, and have announced long-term contracts for other areas in the Middle East.

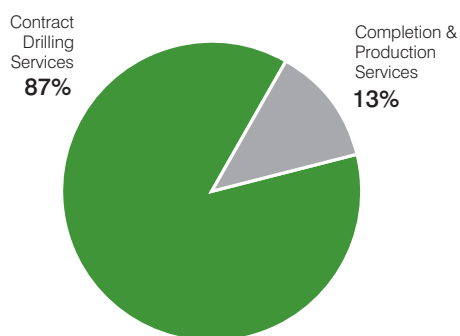
Our shares trade on the Toronto Stock Exchange under the symbol PD, and on the New York Stock Exchange under the symbol PDS.

Two business segments

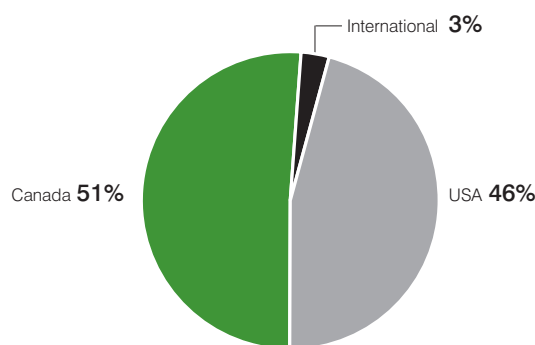
We operate our business in two segments, supported by vertically integrated business support systems.



2012 Adjusted EBITDA by Segment



2012 Revenue by Region



Vision

Our vision is to be recognized as the High Performance, High Value provider of services for global energy exploration and development.

Strategy

2012 strategic priorities	2012 results
<p>Execute our High Performance, High Value strategy Continue to deliver safe, reliable, predictable and repeatable performance with high environmental responsibility and community standards.</p>	<p>Improved safety performance in both operating segments in 2012, matching the best results in our history.</p>
<p>Execute on existing organic growth opportunities including contracting additional new build and upgraded drilling rigs, adding assets and people to the directional drilling and Completion and Production Services businesses and pursuing additional rig deployments internationally. Continue to evaluate accretive acquisitions.</p>	<p>Delivered 36 new build Tier 1 Super Series drilling rigs to customers on long-term contracts and upgraded 11 existing drilling rigs to higher specification assets under long-term contracts.</p> <p>Established footprint in the Middle East and expanded international operations from two rigs to eight operating at the end of the year. However, start-up activities took longer than expected.</p> <p>Expanded service lines in Completion and Production Services adding higher end rental offerings and entered the coil tubing business. Expanded penetration into Northern U.S. markets.</p> <p>Over the past two years, we have grown our directional drilling business but financial results and utilization have been weaker than expected.</p>
<p>Build our brand Continue to promote Precision's High Performance, High Value brand with customers, employees, investors and within the communities in which we operate.</p>	<p>Had strong Canadian and U.S. dayrates throughout 2012 and exceeded employee retention goals across all targeted skill positions.</p> <p>Increased recognition from U.S. and international investors while retaining strong support from Canadian base.</p>

Strength and flexibility

From our founding as a private drilling contractor in the 1950s, Precision Drilling has grown to become one of the most active drillers in North America.

- a competitive operating model drives efficiency, quality and cost control
- size and scale provide higher margins and better service
- strong liquidity position allows us to take advantage of opportunities throughout business cycles
- capital structure provides long-term stability and flexibility



2012 Highlights and Outlook

Adjusted EBITDA and funds provided by operations are additional GAAP measures.

Please see page 5 for more information.

Financial highlights

Year ended December 31 (thousands of \$, except where noted)	2012	% increase/ (decrease)	2011	% increase/ (decrease)	2010	% increase/ (decrease)
Revenue	2,040,741	4.6	1,951,027	36.5	1,429,653	19.4
Adjusted EBITDA	670,792	(3.5)	695,064	59.8	434,908	6.9
Adjusted EBITDA % of revenue	32.9%		35.6%		30.4%	
Net earnings	52,360	(72.9)	193,477	344.4	43,535	(73.1)
Cash provided by operations	635,286	19.2	532,772	74.0	306,264	(39.3)
Funds provided by operations	598,812	1.1	592,388	46.6	404,165	21.9
Investing activities						
Capital spending:						
Expansion	596,194	30.9	455,302	539.7	71,179	(56.4)
Upgrade	130,094	(13.2)	149,811	174.0	54,683	3,007.0
Maintenance and infrastructure	141,769	16.9	121,244	142.3	50,039	75.3
Proceeds on sale	(31,423)	96.6	(15,983)	30.4	(12,256)	(23.3)
Net capital spending	836,634	17.8	710,374	334.1	163,645	(7.8)
Business acquisitions (net of cash acquired)	25	(100.0)	92,886	n/m	–	–
Earnings per share (\$):						
Basic	0.19	(72.9)	0.70	337.5	0.16	(75.4)
Diluted	0.18	(73.1)	0.67	346.7	0.15	(76.2)
Dividends per share (\$)	0.05	n/m	–	–	–	–

n/m – calculation not meaningful.

Operating highlights

Year ended December 31	2012	% increase/ (decrease)	2011	% increase/ (decrease)	2010	% increase/ (decrease)
Contract drilling rig fleet	321	(4.7)	337	(5.1)	355	0.9
Drilling rig utilization days:						
Canada	32,352	(14.8)	37,970	21.8	31,176	46.9
United States	34,597	(8.7)	37,887	16.8	32,450	43.1
International	2,086	197.2	702	16.6	602	(15.2)
Service rig fleet	214	3.4	207	(5.9)	220	–
Service rig operating hours ¹	294,681	(7.2)	317,418	7.9	294,126	33.9

¹ Prior year comparatives have been changed to include United States based service rig activity.

Financial position and ratios

Years ended December 31 (thousands of \$, except ratios)	2012	2011	2010
Working capital	278,021	610,429	458,003
Working capital ratio	1.7	2.4	3.1
Long-term debt	1,218,796	1,239,616	804,494
Total long-term financial liabilities	1,245,290	1,267,040	834,813
Total assets	4,300,263	4,427,874	3,564,540
Enterprise value ¹	3,213,406	3,528,046	2,993,083
Long-term debt to long-term debt plus equity	0.36	0.37	0.29
Long-term debt to cash provided by operations	1.92	2.33	2.63
Long-term debt to enterprise value	0.38	0.35	0.27

¹ Share price multiplied by the number of shares outstanding plus long-term debt minus working capital. See page 40 for more information.

2012 OVERVIEW

Net earnings this year were \$52 million or \$0.18 per diluted share, compared to \$193 million or \$0.67 per diluted share in 2011. This year's results include the impact of charges associated with asset decommissioning, and an impairment charge to the goodwill attributable to our Canadian Directional Drilling operations.

Revenue this year was \$2,041 million, or 5% higher than 2011, mainly due to higher drilling pricing in both Canada and the United States, growth in international operations, and product line expansion partially offset by lower utilization days in North America. Contract Drilling Services revenue was up 6%, while revenue from Completion and Production Services was down 1%. Our international drilling activity increased three-fold: an average of six rigs working in 2012 compared to two in 2011.

Adjusted EBITDA this year was \$671 million, or 3% lower than 2011. Our adjusted EBITDA margin was 33% this year, compared to 36% in 2011. The decrease in adjusted EBITDA margin was mainly the result of higher average operating costs and lower equipment utilization in both Canada and the United States, partially offset by higher average dayrates in both Canada and the United States. Operating costs were higher because of labour related costs, repairs and maintenance costs and higher operating costs internationally. Our portfolio of term customer contracts, a highly variable operating cost structure and economies achieved through vertical integration of the supply chain all help us manage our adjusted EBITDA margin.

North America industry activity was down on the prior year as a result of volatile oil and natural gas prices, oil transportation bottlenecks resulting in regional oil price discounts, record inventory levels resulting in depressed natural gas prices and general global economic uncertainty persisting for much of the year.

In the fourth quarter of 2012 our Board of Directors approved the introduction of an annualized dividend of \$0.20 per common share, payable quarterly.

Outlook

Contracts

Our strong portfolio of term customer contracts provides a base level of activity and revenue, and as at March 8, 2013 we have term contracts in place for an average of 96 rigs: 52 in Canada, 36 in the United States and 8 internationally in 2013. In Canada, term contracted rigs normally generate 250 utilization days per rig year because of the seasonal nature of well access. In most regions in the United States and internationally, they normally generate 365 utilization days per rig year.

Pricing, demand and utilization

The demand for energy has been rising as the global economic situation has improved and per capita energy consumption has increased in many developing countries. These demand fundamentals, along with the challenges of maintaining or growing global supply, have supported stronger oil prices since 2009.

Natural gas prices, however, remain depressed, reaching 10-year lows in 2012. Lower natural gas prices have persisted due to higher than average storage levels, increased production from unconventional resource development and the lack of an export market from North America. Despite lower industry-wide natural gas drilling activity, production remained stable, meeting or exceeding demand and keeping prices low.

Natural gas demand largely depends on the weather, and moderate North American winter temperatures in 2011 and 2012 hampered overall demand. Other demand drivers, however, like natural gas fired power generation and industrial applications, have shown positive growth over the past three years and are expected to continue, and the growing potential of liquefied natural gas (“LNG”) export development could serve as a catalyst for natural gas directed drilling activity in the medium to long term.

Industry-wide drilling utilization has declined year-over-year in North America, however demand for the higher specification Tier 1 drilling assets has remained strong, supporting dayrates. We have deployed 60 new build Tier 1 Super Series drilling rigs since the beginning of 2010 for a total current fleet of 189 Tier 1 drilling rigs and we have upgradeable rigs within our fleet. We believe the existing new builds and potential rig upgrades favourably position us in the market for premium drilling rigs.

While the increase in oil and liquids rich natural gas drilling in areas like the Montney, Cardium, Bakken, Viking, Eagle Ford, Tuscaloosa, Niobrara and Granite Wash have been strong, the oil rig count at March 8, 2013 was 2% higher in the United States than it was a year ago, and 9% lower in Canada. The overall North American land oil directed rig count on March 8, 2013 was 3.9 times higher than it was on March 6, 2009. As exploration and production companies continue to improve unconventional oil drilling and completion techniques, we expect that the economics our customers realize will drive additional investment capital toward these unconventional plays, supporting drilling activity especially for Tier 1 rigs.

International

We contracted two new build 3000 horsepower (HP) drilling rigs in 2012 for deep drilling operations in Kuwait. The two new rigs are on long-term contracts and are expected to be deployed in 2014 on a long-term contract. We contracted two 2000 HP rigs for deep drilling operations in Northern Iraq in the Kurdistan region. The two rigs are existing Precision rigs that will be upgraded for desert operations. These rigs are expected to be deployed mid 2013 under a long-term contract. We also signed a contract for operations in Mexico that will add a rig to our Mexican fleet in the second quarter of 2013, increasing our active Mexican fleet to six rigs.

Upgrading the fleet

We and the land drilling industry are in the process of upgrading the drilling rig fleet by building new rigs and upgrading existing ones. We believe this “retooling” of the industry-wide fleet will make Tier 3 rigs virtually obsolete in North America over the next few years. In the fourth quarter of 2012 we decommissioned 42 Tier 3 drilling rigs and 10 Tier 2 rigs from our fleet. We are exiting the Tier 3 contract drilling business but will retain 26 drilling rigs for seasonal, stratification and turnkey drilling work. These will be categorized as “PSST” rigs. Our focus on the Tier 1 and Tier 2 market is aligned with our corporate strategy, customer relationships and competitive position.

Capital spending

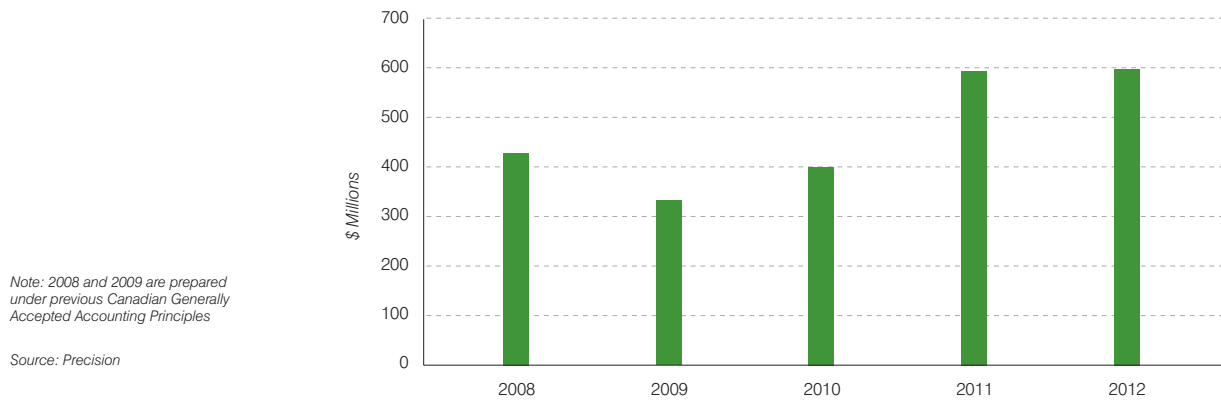
We expect capital spending in 2013 to be approximately \$526 million:

- \$205 million for expansion capital, which includes the cost to complete the two remaining drilling rigs from the 2012 new build rig program, one new rig build for the North American market, the cost to complete about 50 percent of two new build rigs going to Kuwait and new equipment for our Completion and Production Services segment
- \$127 million for upgrade capital, which includes the upgrade of approximately 20 rigs, including the two rigs going to Northern Iraq in the Kurdistan region
- \$194 million for sustaining and infrastructure expenditures, which is based on currently anticipated activity levels, and the cost to consolidate and upgrade our Nisku, Alberta operations facility.

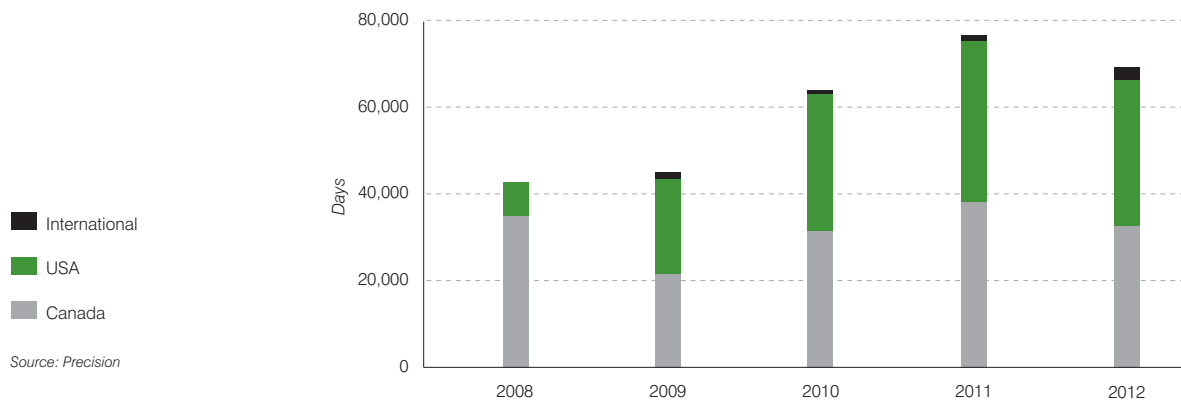
Revenue and EBITDA



Funds From Operations



Utilization Days



Contract Drilling Services

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

We are the second largest land drilling contractor in North America servicing approximately 24% of the land drilling market in Canada and five percent of the United States market. We also have an international presence with operations in Mexico and the Middle East.

At December 31, 2012, the segment consisted of:

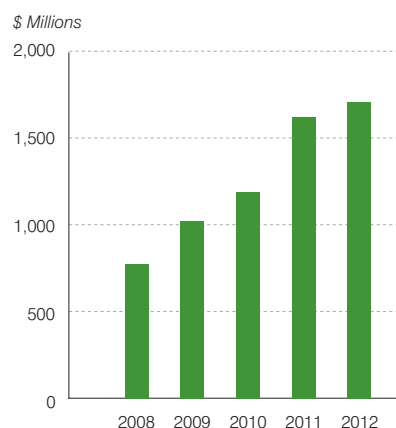
- 321 land drilling rigs, including:
 - 186 in Canada
 - 127 in the U.S.
 - 3 in Saudi Arabia
 - 5 in Mexico
- capacity for approximately 91 concurrent directional drilling jobs in Canada and U.S.
- engineering, manufacturing and repair services primarily for Precision's operations
- centralized procurement, inventory and distribution of consumable supplies primarily for our Canadian, U.S. and Mexican operations.

Drilling rigs at December 31, 2012

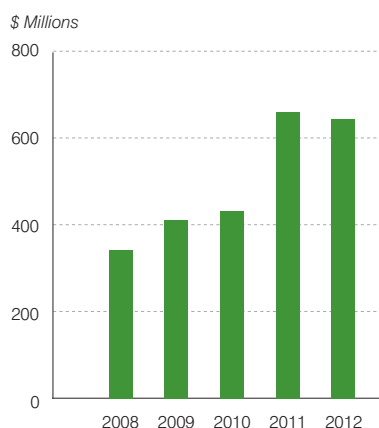
Horsepower	< 1000	1000-1500	> 1500	Total
Tier 1	94	89	5	188
Tier 2	64	25	18	107
PSST	17	4	5	26
Total	175	118	28	321

Geographic location	Canada	U.S.	International	Total
Tier 1	105	83	–	188
Tier 2	64	35	8	107
PSST	17	9	–	26
Total	186	127	8	321

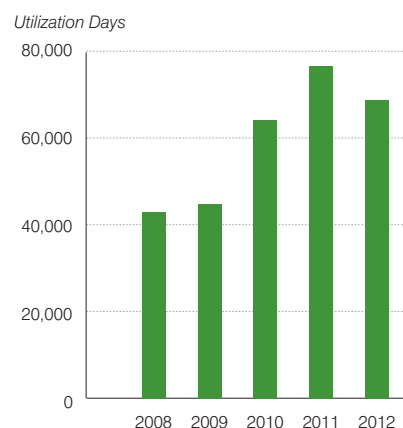
Contract Drilling Revenue



Contract Drilling Adjusted EBITDA



Contract Drilling Utilization Days



Note: 2008 and 2009 are prepared under previous Canadian Generally Accepted Accounting Principles

Completion and Production Services

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

Service rigs and snubbing units each serve about 18% of the market for these services in Canada.

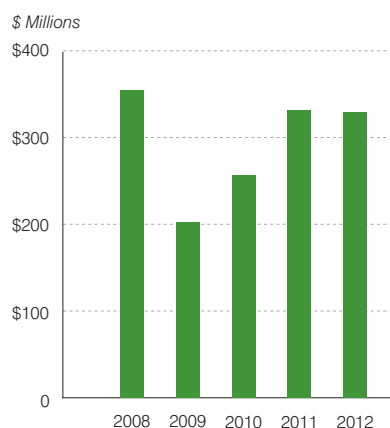
At December 31, 2012, the segment consisted of:

- 190 well completion and workover service rigs, including:
 - 185 in Canada
 - 5 in the U.S.
- 19 snubbing units, including:
 - 16 in Canada
 - 3 in the U.S.
- 5 coil tubing units, including:
 - 3 in Canada
 - 2 in the U.S.
- approximately 3,800 oilfield rental items including surface storage, small-flow wastewater treatment, power generation and solids control equipment
- 243 wellsite accommodation units in Canada and 61 in the U.S.
- 50 drilling camps and three base camps in Canada and four drilling camps in the U.S.
- eight large-flow treatment units and six potable water production units in Canada

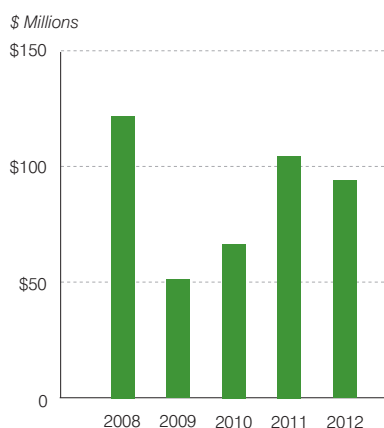
Canadian fleet as at December 31

Type of Service Rig	Horsepower	2008	2009	2010	2011	2012
Singles:						
Mobile	150-400	2	–	–	–	–
Freestanding mobile	150-400	97	94	94	90	88
Doubles:						
Mobile	250-550	42	28	25	19	18
Freestanding mobile	200-550	23	30	35	40	38
Skid	300-860	48	30	28	22	22
Slants:						
Freestanding	250-400	17	18	18	18	19
Total service rigs		229	200	200	189	185
Snubbing units		29	20	20	18	16
Coil tubing units		–	–	–	–	3
Total service rigs, snubbing units and coil tubing units		258	220	220	207	204

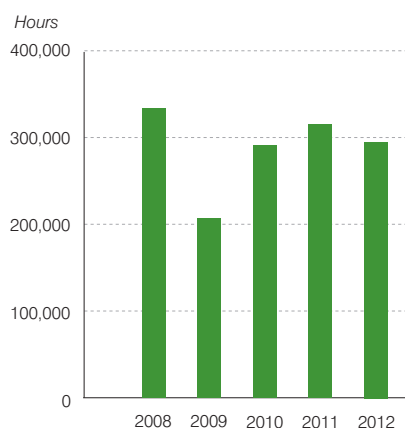
Completion & Production Revenue



Completion & Production Adjusted EBITDA



Completion and Production Service Rig Hours



Note: 2008 and 2009 are prepared under previous Canadian Generally Accepted Accounting Principles

Understanding Our Business Drivers

THE ENERGY INDUSTRY

Precision operates in the energy services business, which is an inherently challenging cyclical industry. Customer demand depends on the price for their end products: oil, natural gas, and natural gas liquids. Oil is a more global commodity that depends on global oil economics, while natural gas and natural gas liquids are more regional energy commodities.

We depend on oil and natural gas exploration and production companies to contract us as part of their development. The economics of their business are dictated by the current and expected future margin between the cost to find and develop oil and natural gas, and the eventual prices of those products.

To excel in this environment, we operate using a business model designed to control risk and optimize performance. The model is directly linked to competitive strategy and reflected in our operating capabilities.

Commodity prices

Cash flow to fund exploration and development is dependent on commodity prices: higher prices increase cash flow and funding. Oil can be transported relatively easily and cheaply, so it is priced in a more global market influenced by an array of economic and political factors. Recently, transportation constraints have resulted in oil prices in North America decoupling from global prices. Natural gas and natural gas liquids continue to be priced regionally.

Oil prices moved lower during the economic crisis of 2008, but have increased since the beginning of 2009 as supply and demand fundamentals have tightened. Natural gas prices have dipped to levels that existed during the economic crisis of 2008, because increasing supplies of unconventional natural gas, particularly in North America, are keeping markets well supplied. This is keeping prices competitive compared to oil, and is supporting the projected growth in worldwide gas consumption.

WTI Oil and Henry Hub Natural Gas Prices



New technology

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

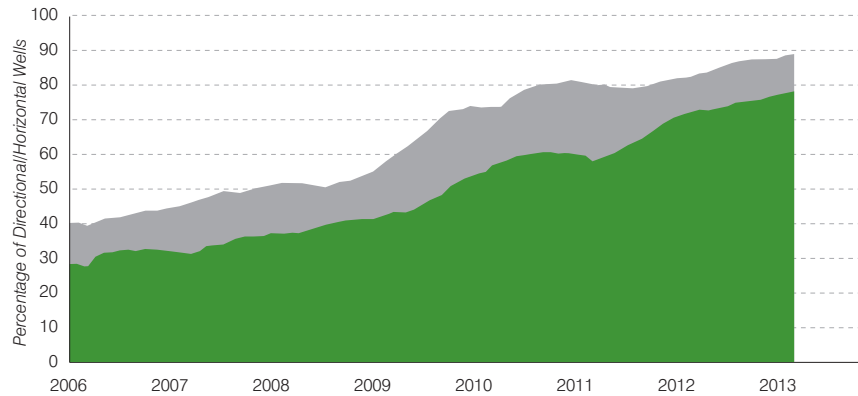
The following chart shows the consistent trend away from vertical wells to the more demanding directional/horizontal well programs, which require higher capacity equipment and greater technical expertise for drilling. These trends are driving the demand growth for high performing drilling rigs, which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

Precision's capabilities are demonstrated by the high proportion of rigs drilling complex wells.

■ Precision
■ Canada Industry Less Precision

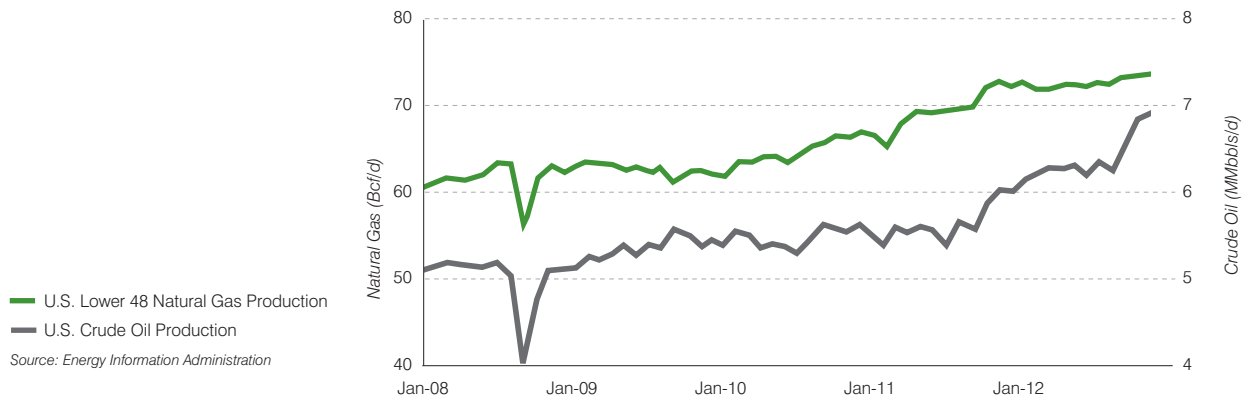
Source: Whelby Data

Growth of Rigs Drilling Directional/Horizontal Wells in Canada



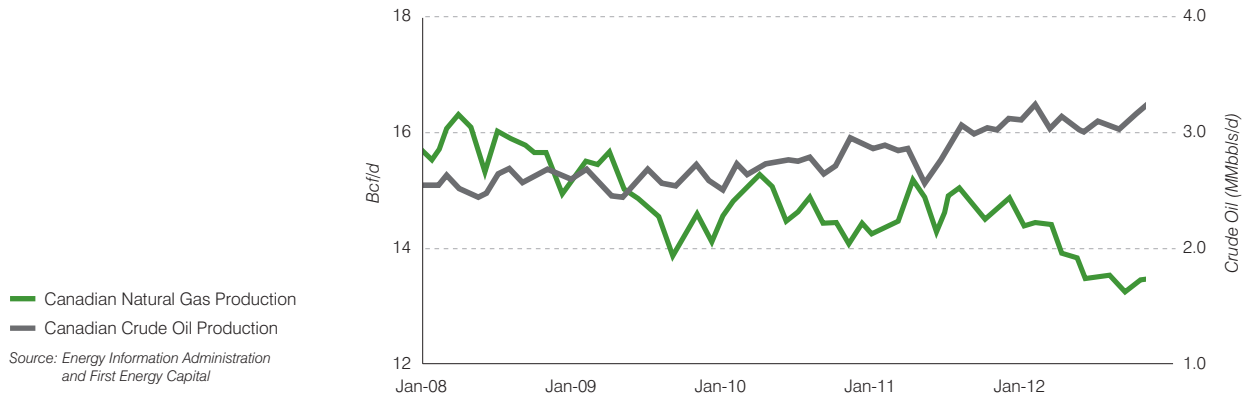
These technical innovations have been a major factor in the increase in natural gas production in the United States. Although oil production has been increasing in Canada, natural gas production is declining as the U.S. is becoming less reliant on Canada as a source of natural gas resulting in pricing pressure on Canadian natural gas.

U.S. Lower 48 Natural Gas and Crude Oil Production



Source: Energy Information Administration

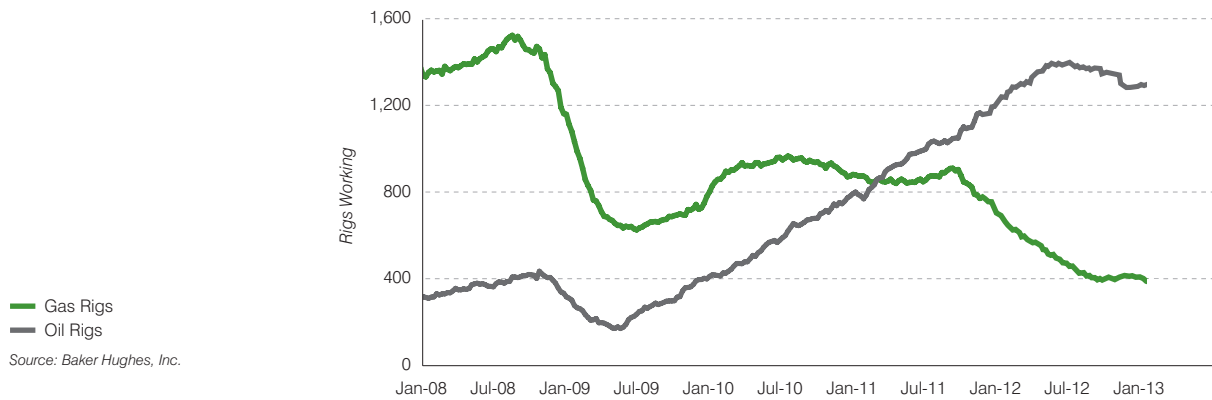
Canadian Natural Gas and Crude Oil Production



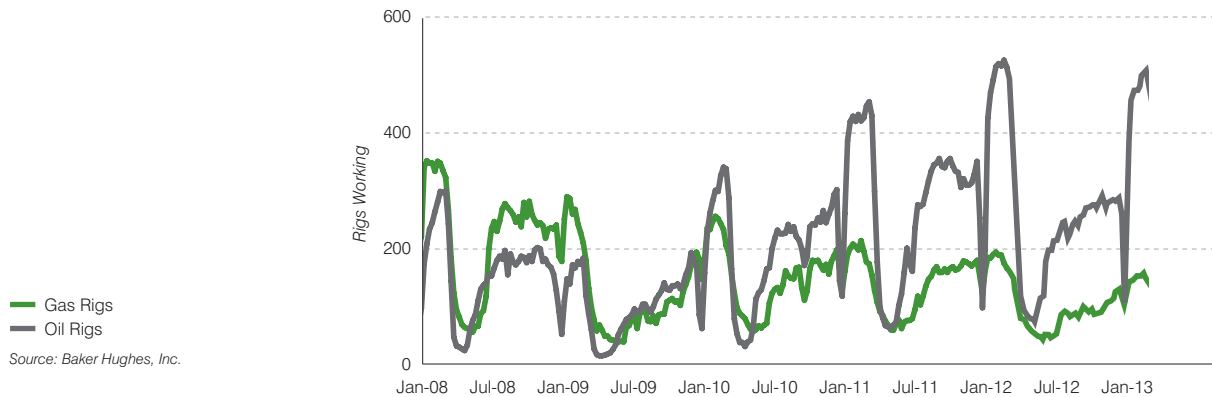
Drilling activity

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

U.S. Drilling Rig Activity



Canadian Drilling Rig Activity



A COMPETITIVE OPERATING MODEL

The contract drilling business is highly competitive and there are many industry participants. We compete for drilling contracts that are usually awarded based on competitive bids.

We believe potential customers focus on pricing and rig availability when selecting a drilling contractor, but also consider many other things, including drilling capabilities and condition of rigs, quality of rig crews, breadth of service, safety record and adaptability among others.

Providing High Performance, High Value services to our customers is the core of our competitive strategy. We deliver High Performance by delivering passionate people supported by superior systems and equipment designed to maximize productivity and reduce risks. We create High Value by operating safely, lowering customer risks and costs, developing people, generating financial growth and attracting investment.

Operating efficiency

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

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

Efficient, cost-reducing technology

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

The versatile Precision Super Single design includes technical innovations in safety and drilling efficiency in slant or directional drilling on single or multiple well pad locations in shallow to medium depth wells. Precision Super Single rigs use extended length tubulars, integrated top drive, innovative unitization to facilitate quick moves between well locations, a small footprint to minimize environmental impact and enhanced safety features such as automated pipe handling and remotely operated torque wrenches.

Triple rigs have greater hoisting capacity and are used in deeper exploration and development drilling. Our Super Triple electric rigs (ST-1200 and ST-1500) are designed to keep the load count as low as possible using widely available conventional rig moving equipment. Power capabilities are a major design criterion for the new Super Triple rigs. Drilling productivity and reliability with AC power drive systems provides added precision and measurability along with a computerized electronic auto driller feature that precisely controls weight, rotation and torque on the drill bit. These rigs use extended length drill pipe, an integrated top drive, automated pipe handling with iron roughnecks and control automation off the rig floor.

Broad geographic footprint

Geographic proximity and fleet versatility make us a comprehensive provider of High Performance, High Value services to our customers. Our large diverse fleet of rigs is strategically deployed across most active regions in North America, including all the major prolific unconventional oil and gas fields. More recently, we have expanded drilling operations into select international markets.

Managing downtime

Reliable and well maintained equipment minimizes downtime and non-productive time during operations. We manage mechanical downtime through preventative maintenance programs, detailed inspection processes, an extensive fleet of strategically placed spare equipment, an in-house supply chain and continuous equipment upgrades.

We minimize non-productive time (move, rig-up and rig-out time) by utilizing walking and skidding systems, decreasing the number of move loads per rig, and using mechanized equipment for safer and quicker rig component connections.

Tracking our results

We unitize key financial information per day and per hour, and compare it to established benchmarks and past performance. We evaluate the relative strength of our financial position by monitoring our working capital, debt ratios and returns on capital employed. We track industry rig utilization statistics to evaluate our performance against competitors. And we link incentive compensation for our senior team to returns generated compared to established benchmarks.

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

- Safety performance – total recordable incident frequency per 200,000 man-hours. Measured against prior year performance and current year industry performance in Canada and the United States.
- Operational performance – rig down time for repair as measured by time not billed to the customer. Measured against predetermined target of available billable time.
- Key field employee retention – senior field employee retention rates. Measured against predetermined target of retention.
- Financial performance – return on capital employed calculated as a percentage of pre-tax operating earnings divided by total assets less current liabilities. Measured against predetermined target percentage.
- Financial performance – total shareholder return performance against an industry peer group, including dividends, over a three year period. Measured against predetermined selection of competitors in peer group.

Top tier service

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

Large, diverse fleet of rigs

Our fleet of drilling rigs can handle every kind of onshore conventional and unconventional oil and natural gas wells in North America.

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

Snubbing complements traditional natural gas well servicing by allowing customers to work on wells while they are pressurized and production has been suspended. We have two kinds of snubbing units: rig assist and self-contained. Self-contained units do not require a service rig on site and are capable of snubbing and performing many other well servicing procedures.

We are investing in coil tubing units that have the ability to service horizontal wells by pushing the tubing rather than relying on gravity. Coil tubing often works more effectively in unconventional horizontal wells which represent the majority of wells drilled in North America today. We began using our first coil tubing unit in the first quarter of 2012 and finished with five units at the end of 2012.

This year we high-graded our drilling rig fleet by:

- adding 36 Tier 1 new build drilling rigs
- upgrading 11 drilling rigs – about half of these were Tier upgrades
- decommissioning 42 Tier 3 and 10 Tier 2 rigs.

As at December 31, 2012, 92% of our 321 drilling rigs were Tier 1 or Tier 2 rigs.

	Tier 1	Tier 2	PSST
	<ul style="list-style-type: none"> ■ high performance rigs ■ newer design and manufacture 	<ul style="list-style-type: none"> ■ high performance rigs ■ modified and new equipment added to improve performance 	<ul style="list-style-type: none"> ■ conventional ■ mechanical rigs
Capabilities	Best suited to the more complex resources in North American shale and unconventional plays: <ul style="list-style-type: none"> ■ pad development ■ directional or horizontal drilling ■ slant drilling ■ drilling in environmentally sensitive areas 	Capable of directional and horizontal drilling	Designed for traditional, vertical drilling <ul style="list-style-type: none"> ■ used in seasonal and stratification work in Canada ■ can be used in our turkey operations in the United States
Key features	<ul style="list-style-type: none"> ■ advanced AC, silicone controlled rectifier ("SCR"), or mechanical power distribution and controls ■ mobile in their class (require fewer trucking loads) ■ highly mechanized tubular handling equipment ■ integrated top drive or top drive adaptability ■ electronic or hydraulic control of the majority of operating parameters ■ specialized drilling tubulars ■ high-capacity mud pumps 	<ul style="list-style-type: none"> ■ some mechanization of tubular handling equipment ■ top drive adaptability ■ SCR or mechanical type power systems ■ increased hook load and or racking capabilities ■ upgraded power generating, control systems and other major components ■ high-capacity mud pumps 	<ul style="list-style-type: none"> ■ no automation ■ lower pump capacity ■ provide acceptable performance ■ some are top drive adaptable

Inventory of ancillary equipment

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

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

Systematic maintenance

We consistently reinvest capital to sustain and upgrade existing property, plant and equipment, and benchmark equipment repair and maintenance expenses to activity levels in accordance with our maintenance and certification programs.

We use computer systems to track key preventative maintenance indicators for major rig components, to record equipment performance history, schedule equipment certifications, reduce downtime and allow for better asset management.

We benefit from internal services for equipment certifications and component manufacturing provided by Rostel Industries and for standardization and distribution of consumable oilfield products through Columbia Oilfield Supply in Canada and Precision Supply in the United States.

We have a continuous maintenance program for essential elements, like tubulars and engines.

Upgrade opportunities

We leverage our internal manufacturing and repair capabilities and inventory of quality rigs to address market demand through upgraded drilling and service rigs. For drilling rigs, the upgrade may result in a change in tier classification.

People

Having an experienced, high performance crew is a competitive strength and highly valued by our customers. There are often shortages of qualified manpower in peak operating periods. We rely heavily on our safety record, investment in employee development and reputation to attract and retain employees, and focus on initiatives that provide a safe and productive work environment, opportunity for advancement and added wage security. We have centralized personnel, orientation and training programs in Canada and the U.S.; however, in the U.S. these functions are sometimes managed to align with regional labour and customer service requirements. In 2008 we launched Toughnecks, our highly successful North America field recruiting program.

Systems

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

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

Safe operations

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

Safety performance is a fundamental contributor to operating performance and the financial results we generate for our shareholders. Target Zero – our safety vision for eliminating workplace incidents – is a fundamental belief that all injuries can be prevented. We track safety using an industry standard recordable frequency statistic that benchmarks successes and isolates areas for improvement. We have taken it to another level by tracking and measuring all injuries regardless of severity, which is seen as a leading indicator for the potential of a more serious incident. In 2012, 269 of our drilling rigs and 186 of our service rigs and snubbing units achieved Target Zero. We continue to embrace technological advancements which make operations safer.

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

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

AN EFFECTIVE STRATEGY

Precision's vision is to be recognized as the High Performance, High Value provider of services for global energy exploration and development.

We work toward that vision by defining and measuring our results against strategic priorities we establish at the beginning of every year.

2012 Strategic Priorities	2012 Results	Plans for 2013
<p>Execute our High Performance, High Value strategy Continue to deliver safe, reliable, predictable and repeatable performance with high environmental responsibility and community standards.</p>	<p>Improved safety performance in both operating segments in 2012, matching the best results in our history.</p>	<p>Continue to drive execution excellence in our people, internal systems and infrastructure supporting our world class safety, training and development programs, upgrading and consolidating our Nisku operations and leveraging our investments in our Houston and Red Deer Tech Centers.</p>
<p>Execute on existing organic growth opportunities including contracting additional new build and upgraded drilling rigs, adding assets and people to the directional drilling and Completion and Production Services businesses and pursuing additional rig deployments internationally. Continue to evaluate accretive acquisitions.</p>	<p>Delivered 36 new build Super Series to customers on long-term contracts and upgraded 11 existing drilling rigs to higher specification assets under long-term contracts.</p> <p>Established footprint in the Middle East and expanded international operations from two rigs to eight operating at the end of the year. Start-up activities took longer than expected.</p> <p>Expanded service lines in Completion and Production Services adding higher end rental offerings and entering the coil tubing business. Expanded penetration into Northern U.S. markets.</p> <p>Over the past two years, we have grown our directional drilling business but financial results and utilization have been weaker than expected.</p>	<p>Remain poised to seize growth opportunities, leveraging our balance sheet strength and flexibility.</p> <p>Deliver new build rigs to the North American market and upgrade existing drilling rigs to higher specification assets on customer contracts.</p> <p>Grow High Performance, High Value service lines for unconventional field development, such as integrated directional drilling, coil tubing and rentals.</p> <p>Continue to expand geographically with international drilling operations and increased Completion and Production presence in the U.S. market.</p>
<p>Build our brand Continue to promote Precision's High Performance, High Value brand with customers, employees, investors and within the communities in which we operate.</p>	<p>Had strong Canadian and U.S. dayrates throughout 2012 and exceeded employee retention goals across all targeted skill positions.</p> <p>Increased recognition from U.S. and international investors while retaining strong support from Canadian base.</p>	<p>Uphold our reputation and market breadth in North America while strengthening our presence in select oilfield markets internationally.</p>

Our corporate and competitive growth strategies are designed to optimize resource allocation and differentiate us from the competition, generating value for investors.

We see opportunities for growth in our Contract Drilling Services land drilling rig fleet both in North America and internationally. Unconventional drilling is the primary opportunity in the North American market place. Unconventional resource development requires advanced Tier 1 drilling rigs and other highly developed services that promote the drilling of reliable, predictable and repeatable horizontal wells.

The completion and production work associated with unconventional wells provides the most profitable growth opportunities for Completion and Production Services.

RISKS TO ACHIEVING OUR STRATEGY

The following is a list of our key business risks. You'll find more information and other risks to our business in our annual information form, which you can find on our website, www.precisiondrilling.com.

Price of oil and gas

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

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

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

Weather patterns

Seasonal weather patterns in Canada and the northern part of the U.S. affect activity in the oilfield services industry. During the spring months, wet weather and the spring thaw make the ground unstable so municipalities and counties and provincial and state transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment. This reduces activity and highlights the importance of the location of our equipment prior to the imposition of the road bans. The timing and length of road bans depend on weather conditions leading to the spring thaw and during the thawing period. Additionally, certain oil and natural gas producing areas are located in parts of Western Canada that are only accessible during the winter months because the ground surrounding or containing the drilling sites in these areas consists of terrain known as muskeg. The rigs and other necessary equipment cannot cross the terrain to reach the drilling site until the muskeg freezes. Moreover, once the rigs and other equipment have been moved to a drilling site, they may become stranded or are unable to be relocated to another site if the muskeg thaws unexpectedly. Our business results depend partly on how long and severe the winter season lasts.

Competition

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

Technology

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

We have an experienced internal engineering department that works closely with operations and marketing on equipment design and improvements. We cannot guarantee, however, that our rig technology will continue to meet the needs of our customers, especially as rigs age and technology advances, or that competitors won't develop technological improvements that are more advantageous, timely or cost effective.

Employees and suppliers

Finding and keeping employees

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

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

Reliance on suppliers

We source certain key rig components, raw materials, equipment and component parts from a variety of suppliers in Canada, the U.S. and overseas. We also outsource some or all construction services for drilling and service rigs, including new build rigs as part of our capital expenditure program. We maintain relationships with key suppliers and contractors and an inventory of key components, materials, equipment and parts. We also place advance orders for components that have long lead times.

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

We may, however, experience cost increases, delays in delivery due to the strong activity or financial hardship of suppliers or contractors, or other unforeseen circumstances relating to third parties. If our current or alternate suppliers are unable to deliver the necessary components, materials, equipment, parts and services we require for our businesses, including the construction of new build drilling rigs, it can delay service to our customers and have a material adverse effect on our revenues, cash flows and earnings.

Health, safety and the environment

Safety

Standards for accident prevention in the oil and gas industry are governed by service company safety policies and procedures, accepted industry safety practices, customer-specific safety requirements and health and safety legislation. Safety is a key factor that customers consider when selecting an oilfield service company. A decline in our safety performance could result in lower demand for services, and this could have a material adverse effect on our revenues, cash flows and earnings. We are subject to various environmental, health and safety laws, rules, legislation and guidelines which can impose material liability, increase our costs or lead to lower demand for our services.

We manage our safety performance using our Target Zero program, a comprehensive training and assessment program designed to work toward a vision of no workplace incidents resulting in injury.

Laws, regulations and guidelines

Our operations are affected by numerous laws, regulations and guidelines relating to the protection of the environment and health and safety, including those governing the management, transportation and disposal of hazardous substances and other waste materials. These include laws, regulations and guidelines relating to spills, releases, emissions and discharges of hazardous substances or other waste materials into the environment, requiring removal or remediation of pollutants or contaminants, and imposing civil and criminal penalties for violations. Some of these apply to our operations and authorize the recovery of natural resource damages by the government, injunctive relief, and the imposition of stop, control, remediation and abandonment orders. In addition, our land drilling operations may be conducted in or near ecologically sensitive areas, such as wetlands, which are subject to special protective measures and may expose us to additional operating costs and liabilities for noncompliance with certain laws. Some environmental laws and regulations

may impose strict and, in certain cases joint and several, liability. This means that in some situations we could be exposed to liability as a result of conduct that was lawful at the time it occurred, or conditions caused by prior operators or other third parties, including any liability related to offsite treatment or disposal facility. The costs arising from compliance with these laws, regulations and guidelines may be material.

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

Energy and the environment

The issue of energy and the environment has created intense public debate in Canada and around the world in recent years, and it is likely to continue for the foreseeable future and could potentially have a significant impact on all aspects of the economy. The trend in environmental regulation has been to impose more restrictions and limitations on activities that may impact the environment. Any regulatory changes that impose additional environmental restrictions or requirements on us, or our customers, could increase our operating costs and potentially lead to lower demand for our services and have an adverse effect on us. For example, there is growing concern about the apparent connection between the burning of fossil fuels and climate change. Laws, regulations or treaties concerning climate change or greenhouse gas emissions can have an adverse impact on the demand for oil and natural gas, which could have a material adverse effect on us. Governments in Canada and the U.S. are also reviewing more stringent regulation or restriction of hydraulic fracturing, a technology used by some of our customers that involves the injection of water, sand and chemicals under pressure into rock formations to stimulate oil and natural gas production. This could have a negative impact on the exploration of unconventional energy resources, which are only commercially viable with the use of hydraulic fracturing. Laws relating to hydraulic fracturing are in various stages of development at levels of governments in markets where we operate. There is no assurance of the outcome of these developments, their effect on the regulatory landscape and the contract drilling industry, or that additional governmental organizations will not seek to pass legislation on hydraulic fracturing in the future.

Financial

Credit market conditions

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

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

Access to additional financing

We will need sufficient cash flows in the future to service and repay our debt. Our ability to generate cash in the future is affected to some extent by general economic, financial, competitive and other factors that may be beyond our control. If we need to borrow funds in the future to service our debt, our ability will depend on covenants in the secured facility, 2020 notes, 2019 notes, 2021 notes and other debt agreements we have in the future. We may not be able to access sufficient amounts under the secured facility or from the capital markets in the future to pay our obligations as they mature or to fund

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

We regularly assess our credit policies and capital structure, and have enough liquidity to meet our needs. See page 36 for information about our liquidity.

Foreign exchange

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

- *Translation into Canadian dollars* – When preparing our consolidated financial statements, we translate the financial statements for foreign operations that don't have a Canadian dollar functional currency into Canadian dollars. We translate assets and liabilities at exchange rates in effect at the balance sheet date. We translate revenues and expenses using average exchange rates for the month of the transaction. We initially recognize gains or losses from these translation adjustments in other comprehensive income, and reclassify them from equity to net earnings on disposal or partial disposal of the foreign operation. Changes in currency exchange rates could materially increase or decrease our foreign currency-denominated net assets, which would increase or decrease shareholders' equity. Changes in currency exchange rates will affect the amount of revenue and expenses we record for our U.S. and international operations, which will increase or decrease our net earnings. If the Canadian dollar strengthens against the US dollar, the net earnings we record in Canadian dollars for our international operations will be lower.
- *Transaction exposure* – Some of our long-term debt is denominated in US dollars. We have designated our US dollar denominated unsecured senior notes as a hedge against the net asset position of our U.S. operations. We convert the debt at the exchange rate in effect at the balance sheet dates and include the resulting gains or losses in the statement of comprehensive income. If the Canadian dollar strengthens against the US dollar, we will incur a foreign exchange gain from the translation of this debt. Most of our international operations are transacted in US dollars or US dollar-pegged currencies. Transactions for our Canadian operations are mainly in Canadian dollars, but we occasionally buy goods and supplies for our Canadian operations using US dollars. These types of transactions and resulting foreign exchange exposure would not typically have a material impact on our financial results.

Liabilities from prior reorganizations

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

International operations

We conduct some of our business outside of Canada and the U.S., like Mexico and the Kingdom of Saudi Arabia. Our growth plans contemplate establishing operations in other foreign countries, including countries where the political and economic systems may be less stable than in Canada or the U.S.

Our international operations are subject to risks normally associated with conducting business in foreign countries, including among others:

- insurrection and geopolitical and other political risks
- fluctuations in foreign currency and exchange controls
- increases in duties, taxes and governmental royalties
- renegotiation of contracts with governmental entities
- changes in laws and policies governing operations of foreign-based companies.

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



2012 Results

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

Summarized consolidated statements of earnings

Year ended December 31 (<i>thousands of \$</i>)	2012	2011	2010
Revenue:			
Contract Drilling Services	1,725,240	1,632,037	1,186,007
Completion and Product Services	326,079	330,225	255,827
Inter-segment elimination	(10,578)	(11,235)	(12,181)
	2,040,741	1,951,027	1,429,653
Adjusted EBITDA:			
Contract Drilling Services	649,281	665,389	434,167
Completion and Product Services	93,554	104,252	66,443
Corporate and other	(72,043)	(74,577)	(65,702)
	670,792	695,064	434,908
Depreciation and amortization	307,525	251,483	210,103
Loss on asset decommissioning	192,469	114,893	–
Operating earnings	170,798	328,688	224,805
Impairment of goodwill	52,539	–	–
Foreign exchange	3,753	(23,674)	(12,712)
Finance charges	86,829	111,578	211,327
Earning before income taxes	27,677	240,784	26,190
Income taxes	(24,683)	47,307	(17,345)
Net earnings	52,360	193,477	43,535

Results by geographic segment

Year ended December 31 (<i>thousands of \$</i>)	2012	2011	2010
Revenue			
Canada	1,053,966	1,071,526	772,332
United States	936,113	866,776	634,885
International	64,017	22,994	27,239
Inter-segment elimination	(13,355)	(10,269)	(4,803)
	2,040,741	1,951,027	1,429,653
Total assets			
Canada	2,119,891	2,252,084	1,720,785
United States	1,913,810	2,027,676	1,789,441
International	266,562	148,114	54,314
	4,300,263	4,427,874	3,564,540

2012 compared to 2011

Net earnings this year were \$52 million or \$0.18 per diluted share, compared to \$193 million or \$0.67 per diluted share in 2011. Revenue this year was \$2,041 million, or 5% higher than 2011. Net earnings and net earnings per diluted share include the impact of charges associated with asset decommissioning, and an impairment charge to the goodwill attributable to our Canadian Directional Drilling operations, as previously disclosed.

Adjusted EBITDA this year was \$671 million, or 3% lower than 2011. Lower activity levels were partially offset by improved pricing in both operating segments. Activity, as measured by drilling utilization days, dropped 15% in Canada and 9% in the U.S. compared to 2011.

The volatile global environment and lower natural gas prices in much of 2012 reduced utilization for us and for the industry in general.

Average oil and natural gas prices

	2012	2011	2010
Oil			
West Texas Intermediate (<i>per barrel</i>)	US \$94.13	US \$95.02	US \$79.38
Natural gas			
Canada			
AECO (<i>per MMBtu</i>)	\$2.39	\$3.62	\$4.00
United States			
Henry Hub (<i>per MMBtu</i>)	US \$2.75	US \$3.98	US \$4.37

Key statistics

There were 10,753 wells drilled in western Canada this year, or 9% fewer than the 11,832 drilled in 2011. Approximately 38,600 wells were started onshore in the U.S., or approximately 2% more than the approximately 37,800 wells started there in 2011.

Total industry drilling operating days were 14% lower than 2011, at 124,319. Average industry drilling operating days per well was 11.6 compared to 12.2 in 2011. Average depth of a well increased by 2%. The decrease in days per well while average depth increased reflects the use of top tier rigs and greater industry experience with unconventional drilling.

Fleet

We and the land drilling industry are in the process of upgrading the drilling rig fleet by building new rigs and upgrading existing ones. In the fourth quarter of 2012 we decommissioned 42 Tier 3 drilling rigs and 10 Tier 2 rigs from our fleet and recorded an impairment charge of \$192 million. In the fourth quarter of 2011, we recorded an impairment charge of \$115 million related to the decommissioning of 36 drilling rigs and 13 well servicing rigs. We are exiting the Tier 3 contract drilling business but will retain 26 drilling rigs for seasonal, stratification and turnkey drilling work. These will be categorized as "PSST" rigs. Our focus on the Tier 1 and Tier 2 market is aligned with our corporate strategy, customer relationships and competitive position.

Goodwill

Under IFRS, we are required to assess the carrying value of cash-generating units that contain goodwill every year. We recognized a \$53 million goodwill impairment charge this year (the goodwill attributable to our Canadian directional drilling operations), because of the outlook for natural gas pricing, and the fact that natural gas drilling in Canada is down.

Foreign exchange

We recognized a foreign exchange loss of \$4 million because the Canadian dollar strengthened in value against the U.S. dollar, and the effect that had on the net U.S. dollar denominated monetary position in our Canadian dollar-based companies.

Finance charges

Finance charges were \$87 million, or \$25 million lower than 2011. In 2011, we incurred a \$27 million charge for the make-whole premium from the refinancing of a previously outstanding debt, and the interest expense associated with Canadian income tax settlements. These were offset by higher interest costs from a higher average long-term debt balance and a non-recurring gain we recognized in 2011.

Income taxes

Income taxes were \$72 million lower than 2011 year mainly because operating results were lower and income tax was taxed at lower rates.

2011 compared to 2010

Net earnings in 2011 were \$193 million or \$0.67 per diluted share, compared to \$44 million or \$0.15 per diluted share in 2010. Revenue in 2011 was \$1,951 million compared to \$1,430 million in 2010. Net earnings and net earnings per diluted share include the impact of charges associated with asset decommissioning, as previously disclosed.

Adjusted EBITDA in 2011 was \$695 million, or 60% higher than the \$435 million in 2010 because of improved pricing and margins, and higher activity levels in both operating segments. Activity, as measured by utilization days, increased 22% in Canada and 17% in the U.S. compared to 2010.

Higher oil and natural gas liquids prices increased utilization in 2011 for us and for the industry in general.

Key statistics

There were 11,832 wells drilled in western Canada in 2011, or 1% less than the 11,936 drilled in 2010. Approximately 37,800 wells were started onshore in the U.S. in 2011, or approximately 13% more than the approximately 33,500 wells started there in 2010.

In Canada, total industry drilling operating days, at 144,646, were 21% higher than 2010. Average industry drilling operating days per well was 12.2 compared to 10.0 in 2010. The increase in days per well reflects the increase in horizontal drilling. Wells drilled horizontally typically have a longer drilling distance and take longer to drill.

Foreign exchange

We recognized a foreign exchange gain of \$24 million in 2011 compared to a \$13 million gain in 2010. The gain in 2011 resulted from the strengthening of the Canadian dollar against the U.S. dollar, and the effect that had on the net U.S. dollar denominated monetary position in our Canadian dollar-based companies. We designated our U.S. dollar debt as a hedge of our U.S. denominated operations on November 17, 2010 and July 26, 2011.

Finance charges

Finance charges were \$112 million in 2011, or \$100 million lower than 2010. In 2010, we incurred a \$116 million loss on settlement of a debt, and debt amortization costs were higher. These were offset by a \$27 million make-whole premium we paid in 2011 from the refinancing of \$175 million 10% senior unsecured notes, and the interest expense associated with Canadian income tax settlements.

Income taxes

In 2011 income taxes were \$65 million higher than 2010 mainly because earnings before income taxes were higher, and we recorded \$11 million in income taxes in 2011 that related to a prior year.

CONTRACT DRILLING SERVICES

Financial results

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

Year ended December 31 (thousands of \$, except where noted)	2012	% of revenue	2011	% of revenue	2010	% of revenue
Revenue	1,725,240		1,632,037		1,186,007	
Expenses						
Operating	1,036,553	60.1	931,062	57.0	720,347	60.7
General and administrative	39,406	2.3	35,586	2.2	31,493	2.7
Adjusted EBITDA	649,281	37.6	665,389	40.8	434,167	36.6
Depreciation and amortization	271,993	15.8	219,194	13.4	177,516	15.0
Loss on asset decommissioning	192,469	11.1	113,366	7.0	–	–
Operating earnings	184,819	10.7	332,829	20.4	256,651	21.6

2012 compared to 2011

Revenue from Contract Drilling Services was \$1,725 million this year, or 6% higher than 2011, mainly because drilling rig revenue per day increased in both Canada and the U.S., and we realized growth in our international and directional drilling operations. These were partially offset by lower utilization days in North America.

Operating expenses were 60% of revenue this year compared to 57% in 2011, mainly because labour related costs and costs associated with international and directional drilling activity were higher. Operating expenses per day were 10% higher in Canada and 12% higher in the U.S. mainly because of higher crew labour related costs. General and administrative expense was higher because of the growth in our international business.

Operating earnings were \$185 million this year, or 44% lower than 2011, and 11% of revenue compared to 20% in 2011. Included in 2012 is a loss on asset decommissioning charge of \$192 million related to the decommissioning of 52 drilling rigs in the fourth quarter. In the fourth quarter of 2011, we recorded an impairment charge of \$113 million related to the decommissioning of 36 drilling rigs.

Capital expenditures in 2012 were \$751 million:

- \$513 million – to expand the underlying asset base
- \$130 million – to upgrade existing equipment
- \$108 million – spending on maintenance and infrastructure capital.

Most of the expansion capital was on 38 new build rigs, as part of our rig build program. 36 of these were completed and placed into service by December 31, 2012.

Canadian Drilling

Revenue from Canadian Drilling was lower by \$20 million or 3% when compared to 2011. Drilling rig activity, as measured by utilization days, was down 15%.

10,753 wells were drilled in Canada in 2012, or 9% fewer than in 2011. Industry operating days decreased 14% to 124,319. These were the result of lower activity as customer demand for oil and liquids-rich natural gas related drilling activity declined.

Adjusted EBITDA was \$332 million, in line with 2011 of \$329 million, as a decrease in industry activity was offset by higher pricing.

Depreciation expense for the year was \$9 million higher than 2011 because utilization of our Tier 1 rigs was higher, depreciation on our Tier 3 rigs increased and a loss on sale of assets was recognized.

United States Drilling

Revenue from United States Drilling was US\$820 million or 1% less than 2011. Drilling rig activity, as measured by utilization days, was down 9%.

Average dayrates in the United States increased 9% this year because we had a higher percentage of drilling rigs working under term contracts, Tier 1 and upgraded rigs were added to the fleet and we experienced increased turnkey activity.

Adjusted EBITDA was US\$308 million, or 5% lower than US\$325 million in 2011, mainly because industry activity was lower due to depressed natural gas economics.

Depreciation expense for the year was \$32 million higher than 2011 because utilization of our Tier 1 rigs was higher, increased depreciation on our Tier 3 rigs and recognition of a loss on sale of assets.

Operating statistics

Year ended December 31	2012	% increase/ (decrease)	2011	% increase/ (decrease)	2010	% increase/ (decrease)
Number of drilling rigs (year end)	321	(4.7)	337	(5.1)	355	0.9
Drilling utilization days (operating and moving)						
Canada	32,352	(14.8)	37,970	21.8	31,176	46.9
United States	34,597	(8.7)	37,887	16.8	32,450	43.1
International	2,086	197.2	702	16.6	602	(15.2)
Drilling revenue per utilization day						
Canada (Cdn\$)	21,030	14.0	18,442	14.3	16,139	(9.5)
United States (US\$)	23,696	9.0	21,744	14.7	18,965	(17.4)
Drilling statistics (Canadian operations only)						
Wells drilled	3,085	(13.5)	3,566	11.6	3,196	45.4
Average days per well	9.4	(1.1)	9.5	8.0	8.8	2.3
Metres drilled (hundreds)	5,233	(8.5)	5,717	11.7	5,119	54.4
Average metres per well	1,696	5.8	1,603	0.0	1,602	6.2

Drilling statistics – Canada

This year we decommissioned 22 rigs and completed 20 new builds, bringing our Canadian 2012 year end net rig count to 186 (down by 2).

The industry drilling rig fleet increased slightly – there were approximately 822 rigs at the end of 2012 compared to 805 at the end of 2011. Our operating day utilization was 40% (six percentage points lower than 2011), compared to industry utilization, which was 42% (seven percentage points lower than 2011).

Our average dayrates in Canada increased by 14% this year because we had a better rig mix and demand for our Tier 1 rigs was strong.

Drilling statistics – US

This year we decommissioned 30 rigs, completed 16 new builds and transferred two rigs to our Mexican fleet, bringing our U.S. 2012 year end net rig count to 127 (down by 16). We averaged 95 rigs working, a 9% decrease over 2011.

Drilling statistics (lower 48 operations only)

	2012		2011	
	Precision	Industry ¹	Precision	Industry ¹
Average number of active land rigs for quarters ended:				
March 31	104	1,947	100	1,695
June 30	97	1,924	102	1,803
September 30	90	1,855	106	1,915
December 31	87	1,759	107	1,972
Year to date average	95	1,871	104	1,846

¹ Source: Baker Hughes

COMPLETION AND PRODUCTION SERVICES

Financial results

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

Year ended December 31 (thousands of \$, except where noted)	2012	% of revenue	2011	% of revenue	2010	% of revenue
Revenue	326,079		330,225		255,827	
Expenses						
Operating	217,326	66.7	211,195	64.0	178,585	69.8
General and administrative	15,199	4.7	14,778	4.5	10,799	4.2
Adjusted EBITDA	93,554	28.7	104,252	31.6	66,443	26.0
Depreciation and amortization	30,758	9.4	25,598	7.8	24,128	9.4
Loss on asset decommissioning	–	–	1,527	0.5	–	–
Operating earnings	62,796	19.3	77,127	23.4	42,315	16.5

Revenue from Completion and Production Services was \$326 million this year, or 1% lower than 2011, mainly because industry activity was lower as customers reduced their spending on production activity as natural gas prices remained relatively low. Reduced activity was partially offset by improved pricing for our services and expansion of our services into the U.S.

Operating earnings were \$62,796 this year, or 19% lower than 2011, and 19% of revenue compared to 23% in 2011, because service rig activity was down, and rental equipment and base camps saw less activity.

Operating expenses were 67% of revenue this year, or three percentage points higher than 2011, mainly because equipment utilization was down, which increased daily or hourly operating costs associated with fixed operating costs and higher crew wages starting in the fourth quarter.

Depreciation expense for the year was \$5 million higher than 2011 mainly because of depreciation on equipment purchases in 2011 and 2012.

Capital expenditures were \$109 million:

- \$83 million – to expand the underlying asset base
- \$26 million – spending on maintenance and infrastructure capital.

Revenue from Precision Well Servicing was \$220 million, or 1% lower than 2011, because operating activity was down by 9%. This decline in activity was partially offset by a higher revenue rate per hour.

Revenue from Precision Rentals was \$53 million, or 7% lower than 2011. Activity was lower because drilling, well servicing and frac-related activity was down. Precision Rentals expanded from three major product lines (surface equipment, wellsite accommodations, and tubular equipment) to include power generation equipment, solids control equipment and WaterDams (containment rings). The expansion increased the overall rental rate compared to 2011.

Revenue from LRG Camp and Catering was \$32 million, or 24% lower than 2011 because there were fewer base camp days this year. LRG operated three base camps and 50 drill camps during 2012.

Operating results

Year ended December 31	2012	% increase/ (decrease)	2011	% increase/ (decrease)	2010	% increase/ (decrease)
Number of drilling rigs (end of year) ¹	214	3.4	207	(5.9)	220	–
Service rig operating hours ²	294,681	(7.2)	317,418	7.9	294,126	33.9
Revenue per operating hour ²	744	8.1	688	8.0	637	(3.8)

¹ Now includes snubbing services. Comparative numbers have been restated to reflect this change.

² Prior year comparatives have been changed to include U.S. based service rig activity.

This year we added three coil tubing units in Canada and two in the U.S. Equipment was moved from Canada to the U.S. as we continue to build on our footprint.

This year our service rig hours decreased 7% as market activity declines was partially offset by our U.S. expansion.

Service rig rates increased 8% due to crew wage increased pass through to customers and the provision of higher end services.

This year in Completion and Production Services, we moved five service rigs and two snubbing rigs from Canada to the U.S. and added two new build coil tubing rigs and rental equipment to develop our U.S. business.

CORPORATE AND OTHER

Financial results

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

Year ended December 31 (thousands of \$)	2012	2011	2010
Revenue	–	–	–
Expenses			
Operating	–	–	–
General and administrative	72,043	74,577	65,702
Adjusted EBITDA	(72,043)	(74,577)	(65,702)
Depreciation and amortization	4,774	6,691	8,459
Operating earnings (loss)	(76,817)	(81,268)	(74,161)

We view our corporate segment as support functions that provide assistance to more than one segment. It includes costs incurred in corporate groups in both Canada and the U.S.

Corporate and other expenses were \$72 million in 2012, or \$3 million less than 2011, mainly related to performance based incentive plans. In 2012 corporate general and administrative costs were 3.5% of consolidated revenue compared to 3.8% in 2011 and 4.6% in 2010.

QUARTERLY FINANCIAL RESULTS

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

2012 – quarters ended <i>(thousands of \$, except per share amounts)</i>	March 31	June 30	September 30	December 31
Revenue	640,066	381,966	484,761	533,948
Adjusted EBITDA	245,574	97,192	151,000	177,026
Net earnings (loss)	111,081	18,261	39,357	(116,339)
Per basic share	0.40	0.07	0.14	(0.42)
Per diluted share	0.39	0.06	0.14	(0.42)
Funds provided by operations	247,739	62,373	146,124	142,576
Cash provided by operations	162,440	275,346	61,183	136,317
Dividends per share	–	–	–	0.05

2011 – quarters ended <i>(thousands of \$, except per share amounts)</i>	March 31	June 30	September 30	December 31
Revenue	525,350	345,325	492,944	587,408
Adjusted EBITDA	186,411	92,566	186,248	229,839
Net earnings	65,560	16,403	83,468	28,046
Per basic share	0.24	0.06	0.30	0.10
Per diluted share	0.23	0.06	0.29	0.10
Funds provided by operations	192,337	70,766	73,182	256,103
Cash provided by operations	117,322	176,312	20,281	218,857

The Canadian drilling industry is affected by weather patterns. Activity peaks in the winter, in the fourth and first quarters. In the spring, wet weather and the spring thaw make the ground unstable. Government road bans restrict the movement of rigs and other heavy equipment, reducing activity in the second quarter. This leads to quarterly fluctuations in operating results and requirements for working capital. Activity in the U.S. does not have the same seasonality.

We had a net loss in the fourth quarter of \$116 million or \$0.42 per diluted share, compared to net earnings of \$28 million in the fourth quarter of 2011. This reflects the impact of charges associated with asset decommissioning and a goodwill impairment which, combined, reduced net earnings by \$179 million and net earnings per diluted share by \$0.63 compared to the fourth quarter of 2011.

Revenue and Adjusted EBITDA were both lower in the fourth quarter compared to the fourth quarter of 2011: revenue was \$534 million compared to \$587 million in the fourth quarter of 2011; Adjusted EBITDA was \$177 million compared to \$230 million in the fourth quarter of 2011. These results were mainly because of lower activity across most business lines and higher operating costs, partially offset by higher pricing.

Our Adjusted EBITDA margin was 33% this quarter, compared to 39% in the fourth quarter of 2011. The decrease in Adjusted EBITDA margin was mainly due to higher average costs and lower equipment utilization in both Canada and the U.S.

Operating costs were higher because of labour related costs and higher operating costs internationally. Our portfolio of term customer contracts, a highly variable operating cost structure and economies achieved through vertical integration of the supply chain all help us manage our Adjusted EBITDA margin.

Drilling rig utilization days (drilling days plus move days) in Canada were 8,242 this quarter, or 23% lower than the fourth quarter of 2011. Drilling rig utilization days in the U.S. were 8,014 this quarter, or 19% lower than the fourth quarter of 2011. This was the result of lower customer demand as customers conserved cash and deferred drilling programs into 2013.

The majority of activity was from oil and liquids-rich natural gas related plays. We averaged a total of 185 rigs working in the quarter (average 90 in Canada, 87 in the U.S. and eight internationally), compared to a total average 182 rigs in the third quarter of 2012 and 225 rigs in the fourth quarter of 2011.

Service rig activity in the fourth quarter was 12% lower than the fourth quarter of 2011 (77,234 operating hours compared to 88,131 hours in the fourth quarter of 2011).

Contract Drilling Services

Revenue and Adjusted EBITDA from Contract Drilling Services were both down in the fourth quarter compared to the fourth quarter of 2011: revenue was \$452 million, or 9% lower than the fourth quarter of 2011; Adjusted EBITDA was \$172 million, or 21% lower than the fourth quarter of 2011. These results were mainly because of lower drilling rig activity, partially offset by higher average rates per day in Canada and the U.S. and higher revenue from our international contract drilling operations.

Customer demand for oil and liquids-rich natural gas related drilling activity was down in the fourth quarter because oil prices were down. Drilling rig revenue per utilization day in both Canada and the U.S. was up 10% over 2011. The increase in average dayrates for Canada was the result of improved rig mix and solid demand for Tier 1 assets. In the United States the majority of the increase was driven by higher turnkey activity.

In Canada, 41% of utilization days in the fourth quarter were generated from rigs under term contract, compared to 38% in the fourth quarter of 2011. In the U.S., 68% of utilization days were generated from rigs under term contract as compared to 79% in the fourth quarter of 2011. At the end of the quarter, we had 55 drilling rigs working under term contracts in Canada and 54 in the U.S.

Operating costs were 60% of revenue for the quarter, or six percentage points higher than the fourth quarter of 2011 because costs were higher internationally, labour related costs were higher and activity was lower, so fixed costs were spread over a lower revenue base. Operating costs per day in Canada were higher than the fourth quarter of 2011 mainly because crew wage expenses were higher. Operating costs per day in the United States were higher than in the fourth quarter of 2011 mainly because of higher proportionate turnkey activity as well as higher labour related and overall operating costs. Labour rate increases are typically recovered through higher dayrates.

We decommissioned 52 rigs in the fourth quarter (22 in Canada and 30 in the U.S.) and recorded an impairment charge of \$192 million. Quarterly depreciation increased 25% over the fourth quarter of 2011. As discussed in our MD&A dated December 31, 2011, we changed our depreciation policy on certain Tier 3 rigs from the unit of production method to straight-line over four years, which increased depreciation by approximately \$5 million in the fourth quarter of 2012. Higher utilization of our Tier 1 rigs, losses on asset disposals and depreciation from the growth in directional drilling and international contract drilling have also increased depreciation.

We use the unit of production method of calculating depreciation for our contract drilling operations except for certain PSST equipment and directional drilling equipment, where we use the straight-line method.

Completion and Production Services

Revenue and Adjusted EBITDA from Completion and Production Services were both down compared to the fourth quarter of 2011: revenue was \$85 million or 11% lower than the fourth quarter of 2011; Adjusted EBITDA was \$22 million or 34% lower than the fourth quarter of 2011. These results are mainly because customers reduced spending in response to greater economic uncertainty, which reduced activity across all service lines.

Well servicing activity in the fourth quarter was 12% lower than the fourth quarter of 2011 (77,234 operating hours and utilization of 39%, compared to 88,131 hours and utilization of 43%). Results were down because of reduced completion and production work on oil wells. Approximately 95% of the fourth quarter service rig activity was oil related. Our rental division activity in the fourth quarter was 38% lower than the fourth quarter of 2011 mainly because completion and frac-related activity was down industry-wide, offset by new equipment added to the fleet.

Average service rig revenue in the fourth quarter was \$740, or \$9 per operating hour higher than the fourth quarter of 2011 because our coil tubing operations, which operate at higher rates, started in 2012.

Operating costs as a percentage of revenue increased to 70% in the fourth quarter of 2012, from 61% in the fourth quarter of 2011. Operating costs per service rig operating hour were higher than in the fourth quarter of 2011 mainly because fuel costs were higher, and because of the new coil tubing operations.

Depreciation in the fourth quarter of 2012 was 33% higher than the fourth quarter of 2011 because depreciation expense per unit associated with new equipment was higher, and we incurred losses on asset disposals. We use the straight-line method of calculating depreciation for our completion and production lines, except for the well servicing division, where we use the unit of production method.

Consolidated

General and administrative expenses were \$30 million in the fourth quarter, or \$6 million lower than the fourth quarter of 2011 because of lower costs associated with declines in activity, combined with lower incentive compensation costs tied to the price of our common shares.

Net finance charges were \$22 million in the fourth quarter, or \$3 million higher than the fourth quarter of 2011 mainly because of a non-recurring items in 2011.

Capital expenditures were \$187 million in the fourth quarter, compared to \$328 million in the fourth quarter of 2011. Spending in the fourth quarter of 2012 included:

- \$123 million – to expand the underlying asset base
- \$23 million – to upgrade existing equipment
- \$41 million – spending on maintenance and infrastructure capital.



Financial Condition

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

We apply a disciplined approach to managing and tracking the results of our operations to keep costs down. We maintain a variable cost structure so we can be responsive to changing competition and demand. And we invest in our fleet to make sure we remain competitive.

Term contracts provide more certainty of future revenues and return of capital on our investments.

Liquidity

As at December 31, 2012 our liquidity is supported by a cash balance of \$153 million, a senior secured credit facility of US\$850 million, operating facilities totaling approximately \$55 million and a \$25 million secured facility for letters of credit.

At December 31, 2012, we had approximately \$1,290 million (2011 – \$1,268 million) outstanding under our secured and unsecured credit facilities. Our secured facility includes financial ratio covenants that are tested quarterly. We're compliant with these covenants and expect to remain compliant.

We ended 2012 with a long-term debt to long-term debt plus equity ratio of 0.36 (compared to 0.37 in 2011) and a ratio of long-term debt to cash provided by operations of 1.92 (compared to 2.33 in 2011).

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

Ratios and key financial indicators

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

We also monitor returns on capital and link our executives' incentive compensation to the returns we generate, compared to our peers.

Financial position and ratios

<i>(in thousands of \$, except ratios)</i>	December 31, 2012	December 31, 2011	December 31, 2010
Working capital (includes current portion of long-term debt)	278,021	610,429	458,003
Working capital ratio	1.7	2.4	3.1
Long-term debt	1,218,796	1,239,616	804,494
Total long-term financial liabilities	1,245,290	1,267,040	834,813
Total assets	4,300,263	4,427,874	3,564,540
Enterprise value (share price x number of shares outstanding + long-term debt – working capital – see page 40)	3,213,406	3,528,046	2,993,083
Long-term debt to long-term debt plus equity	0.36	0.37	0.29
Long-term debt to cash provided by operations	1.92	2.33	2.63
Long-term debt to Adjusted EBITDA	1.82	1.78	1.85
Long-term debt to enterprise value	0.38	0.35	0.27

Credit rating

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

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

CAPITAL MANAGEMENT

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

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

Foreign exchange risk

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

Interest rate risk

We minimize interest rate risk by staggering long-term debt maturities.

Hedge of investments in U.S. operations

We have designated our U.S. dollar denominated long-term debt as a hedge of our investment in our operations in the U.S. We recognize the effective amount of this hedge (net of tax) in other comprehensive income. We recognize ineffective amounts (if any) in earnings.

SOURCES AND USES OF CASH

At December 31 (<i>thousands of \$</i>)	2012	2011
Cash from operations	635,286	532,772
Cash used in investing	(930,121)	(715,462)
Surplus (deficit)	(294,835)	(182,690)
Cash from (used in) financing	(14,899)	366,887
Effect of exchange rate changes on cash	(4,974)	26,448
Net cash generated (used)	(314,708)	210,645

Cash from operations

In 2012, we generated cash from operations of \$635 million (compared to \$533 million in 2011).

Investing activity

We made capital investments of \$868 million in 2012:

- \$596 million in expansion capital expenditures
- \$130 million in upgrade capital expenditures
- \$142 million in maintenance and infrastructure capital expenditures.

Of the \$868 million in capital expenditures in 2012, \$751 was for the Contract Drilling segment, \$109 million for the Completion and Production segment and \$8 million for the Corporate and other segment.

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

Financing activity

With the exception of foreign exchange translation, our net borrowings in 2012 were the same as in 2011 (2011 increased by \$407 million over 2010).

Our senior secured facility was increased from US\$550 million to US\$850 million effective August 30, 2012, and the US\$100 million "accordion" feature was increased to US\$250 million, allowing the facility to be increased to US\$1.1 billion with additional lender commitments. The term was extended to five years and several negative covenants were relaxed.

Our operating facility was increased from \$25 million to \$40 million effective August 30, 2012, and remains undrawn except for \$19 million in outstanding letters of credit. Our operating facility of US\$15 million remains undrawn as at December 31, 2012. Effective September 27, 2012, we entered into a new US\$25 million demand facility for letters of credit and it remained undrawn as at December 31, 2012.

Debt

At December 31, 2012, we had approximately \$925 million in secured and operating credit facilities, and \$1,245 million in senior unsecured notes (maturing in 2019, 2020 and 2021).

Amount	Availability	Used for	Maturity
Senior facility (secured)			
US\$850 million (extendible, revolving term credit facility with US\$250 million accordion feature)	Undrawn, except US\$27 million in outstanding letters of credit	General corporate purposes	November 17, 2017
Operating facilities (secured)			
\$40 million	Undrawn, except \$19 million in outstanding letters of credit	Letters of credit and general corporate purposes	
US\$15 million	Undrawn	Short term working capital requirements	
Demand letter of credit facility (secured)			
US\$25 million	Undrawn	Letters of credit	
Senior notes (unsecured)			
\$200 million	Fully drawn	Debt repayment	March 15, 2019
US\$650 million	Fully drawn	Debt repayment and general corporate purposes	November 15, 2020
US\$400 million	Fully drawn	Capital expenditures and general corporate purposes	December 15, 2021

Contractual obligations

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

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

At December 31, 2012 (thousands of \$)	Payments due (by period)				Total
	Less than 1 year	1-3 years	4-5 years	More than 5 years	
Long-term	–	–	–	1,244,645	1,244,645
Interest on long-term debt	81,710	163,421	163,421	241,273	649,825
Rig construction	68,120	36,443	–	–	104,563
Operating leases	15,561	25,389	16,509	23,161	80,620
Contractual incentive plans ¹	16,260	18,622	–	–	34,882
Contingent purchase consideration	52,915	–	–	–	52,915
Total	234,566	243,875	179,930	1,509,079	2,167,450

¹ Includes amounts we have not yet accrued but are likely to pay at the end of the contract term. Our long-term incentive plans compensate officers and key employees through cash payments when their awards vest. Equity-based compensation amounts are shown based on a share price of \$8.22 at December 31, 2012.

CAPITAL STRUCTURE

Shares outstanding

	March 8, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Shares outstanding	276,502,155	276,475,770	276,081,797	275,686,676
Deferred shares outstanding	335,946	335,946	417,495	393,717
Warrants outstanding	15,000,000	15,000,000	15,000,000	15,000,000
Share options outstanding	8,593,251	6,413,777	5,154,123	3,723,123

You can find more information about our capital structure in our annual information form, available online at our corporate website and on SEDAR.

Common shares

Our articles of amalgamation allow us to issue an unlimited number of common shares. As of December 2012, we issue an annual dividend paid to our shareholders quarterly.

Warrants

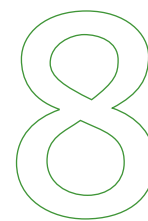
On April 22, 2009, we issued 15,000,000 purchase warrants under a private placement. Each warrant can be exercised for one common share at a price of \$3.22 per common share for five years from the date of issue. No warrants have been exercised as at December 31, 2012.

Preferred shares

We can issue preferred shares in one or more series. The number of preferred shares that may be authorized for issue at any time cannot exceed more than half of the number of issued and outstanding common shares. We don't currently have any preferred shares issued.

Enterprise value

<i>(in thousands of \$, except shares outstanding and per share amounts)</i>	December 31, 2012	December 31, 2011	December 31, 2010
Shares outstanding	276,475,770	276,081,797	275,686,676
Year-end share price on the TSX	8.22	10.50	9.60
Shares at market	2,272,631	2,898,859	2,646,592
Long-term debt	1,218,796	1,239,616	804,494
Less working capital	(278,021)	(610,429)	(458,003)
Enterprise value	3,213,406	3,528,046	2,993,083



Critical Accounting Estimates

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

You'll find all of our significant accounting policies in Note 3 to the consolidated financial statements. We believe the following are the most difficult, subjective or complex judgments, and are the most critical to how we report our financial position and results of operations:

- allowance for doubtful accounts receivable
- impairment of long-lived assets
- depreciation and amortization
- income taxes.

Allowance for doubtful accounts receivable

We evaluate the creditworthiness of our customers on an ongoing basis and grant credit based on the customer's past payment history, financial condition and expected conditions in the industry. We monitor customer payments regularly and include a provision for doubtful accounts based on industry conditions and the state of specific accounts. If we have concerns about a customer's creditworthiness, we may require cash or a letter of credit or deposit before we provide services, or we may choose not to provide services.

Bad debt losses to date have been within expected limits and generally related to specific customer circumstances, but our customers' ability to fulfill their payment obligations to us may change suddenly and without notice. The cyclical nature of the oil and gas industry, continuing uncertainty in debt and equity markets, and the risk that a customer may not be successful in finding the oil and gas reserves they're looking for can all affect their ability to pay us as expected.

Impairment of long-lived assets

Long-lived assets (property, plant and equipment, intangibles and goodwill) make up the majority of our assets. We review the carrying value of these assets for impairment periodically or whenever events or changes in circumstances suggest that we may not be able to recover the carrying amounts of these assets.

For property, plant and equipment, we estimate the future cash flows we would gain from using these assets based on assumptions about future business conditions and developments in technology. These assumptions may change.

A cash generating unit (CGU) is the smallest identifiable group of assets that generates cash independently of inflows from other assets or groups. We use judgment to aggregate assets into cash generating units and allocate goodwill to them. To test goodwill for impairment, we calculate the recoverable amount of the CGU or groups of CGUs the goodwill has been allocated to. This involves estimating future cash flows and applying an appropriate discount rate.

We assessed the carrying value of our long-lived assets for impairment in 2012 and 2011 and concluded:

- the goodwill associated with Canada directional drilling was impaired
- certain of our drilling rigs were obsolete and would be removed from our operating fleet.

Depreciation and amortization

We depreciate and amortize our property, plant and equipment and intangible assets based on estimates we make about their useful lives and salvage value. We base these estimates on data and information from different sources, including vendors, our own historical experience and industry practice. Our estimates may change based on market conditions, future experience or changes technology.

We assign independent values to costly parts of our drilling rig equipment and depreciate and amortize these parts separately (called *componentization*). We use our judgment to decide which parts of a rig represent a significant cost relative to the entire item, and to assess whether different components have similar consumption patterns and useful lives.

Income taxes

Deferred tax assets and liabilities represent temporary differences between the carrying amounts of our assets and liabilities (as shown in our financial statements) and their tax bases. They reflect our estimates and assumptions about when the differences will be reversed, what the effect on our balance sheet will be and what future tax rates will be applied to the reversals.

We have tax benefits from previous transactions that we expect to be able to use to reduce our income taxes in the future. If our future cash flows and taxable income differ significantly from what we've estimated, or if tax laws in the jurisdictions where we operate change, amounts we've recorded as deferred taxes on our balance sheet could change.

Interpreting complex tax regulations, changes in tax laws, and the amount and timing of future taxable income is challenging and uncertain. If actual results are different from our assumptions (or our assumptions change) we may need to adjust the income and expenses we've recorded related to taxes. We make provisions for the possible consequences of future tax audits using reasonable estimates. We base the amount of these provisions on our past experience with tax audits and differences in interpreting tax regulations in the countries where we operate. See Note 24 to our consolidated financial statements.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that the information we are required to disclose in the reports we file with (or submit to) securities regulatory authorities are recorded, processed, summarized and reported within the time periods specified by Canadian and U.S. securities laws. This includes gathering information and communicating it to management (including the President and Chief Executive Officer and the Chief Financial Officer) to allow them to make timely decisions about required disclosure.

We evaluated the effectiveness of our disclosure controls and procedures (as defined under the rules adopted by the Canadian securities regulatory authorities and by the United States Securities and Exchange Commission) as of December 31, 2012.

Management (including the President and Chief Executive Officer and Chief Financial Officer) supervised and participated in the evaluation and concluded that the design and operation of our disclosure controls and procedures were effective as of that date. However, control systems can only provide reasonable, not absolute, assurance that information will be timely, complete and accurate, and we cannot guarantee that errors and fraud will not occur.

During the fourth quarter of 2012, there were no changes in internal control over financial reporting that materially affected (or are reasonably likely to materially affect) our internal control over financial reporting.

Corporate Governance

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

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

William T. Donovan, B.Sc., MBA

Brian J. Gibson, MBA, CFA, ICD.D (Institute of Corporate Directors)

Robert J. S. Gibson, ICD.D (Institute of Corporate Directors)

Allen R. Hagerman, FCA, B. Comm, MBA, CF (Canadian Institute of Chartered Accountants),
ICD.D (Institute of Corporate Directors)

Stephen J. J. Letwin, B.Sc, MBA, CGA

Kevin O. Meyers, Ph.D. (chemical engineering), B.A.

Patrick M. Murray, B.Sc. (Accounting), MBA

Kevin A. Neveu, B.Sc, PEng

Robert L. Phillips, B.Sc. (chemical engineering), LLB

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 the consolidated 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 consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with International Financial Reporting Standards ("IFRS") appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has prepared Management's Discussion and Analysis ("MD&A"). The MD&A is based upon Precision Drilling Corporation's (the "Corporation") financial results prepared in accordance with IFRS. The MD&A compares the audited financial results for the years ended December 31, 2012 to December 31, 2011 and the years ended December 31, 2011 to December 31, 2010.

Management is responsible for establishing and maintaining adequate internal control over the Corporation's financial reporting and is supported by an internal audit function who conducts periodic testing of these controls. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with IFRS. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with direction from our principal executive officer and principal financial and accounting officer, management conducted an evaluation of the effectiveness of the Corporation's internal control over financial reporting. Management's evaluation of internal control over financial reporting was based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2012. Also management determined that there were no material weaknesses in the Corporation's internal control over financial reporting as of December 31, 2012.

KPMG LLP, an independent firm of Chartered Accountants, was engaged, as approved by a vote of shareholders at the Corporation's most recent annual meeting, to audit the consolidated financial statements and provide an independent professional opinion.

KPMG LLP completed an audit of the design and effectiveness of the Corporation's internal control over financial reporting as of December 31, 2012, as stated in their report included herein and expressed an unqualified opinion on design and effectiveness of internal control over financial reporting as of December 31, 2012.

The Audit Committee of the Board of Directors, which is comprised of six independent directors who are not employees of the Corporation, provides oversight to the financial reporting process. Integral to this process is the Audit Committee's review and discussion with management and the external auditors of the quarterly and annual financial statements and reports prior to their respective release. The Audit Committee is also responsible for reviewing and discussing with management and the external auditors major issues as to the adequacy of the Corporation's internal controls. The external auditors have unrestricted access to the Audit Committee to discuss their audit and related matters. The consolidated financial statements have been approved by the Board of Directors of Precision Drilling Corporation and its Audit Committee.



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

March 8, 2013



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

March 8, 2013

Independent Auditors' Report of Registered Public Accounting Firm

To the Shareholders and Board of Directors of Precision Drilling Corporation

We have audited the accompanying consolidated financial statements of Precision Drilling Corporation (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, the consolidated statements of earnings, comprehensive income, changes in equity and cash flow for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Corporation's internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 8, 2013 expressed an unqualified opinion on the effectiveness of the Corporation's internal control over financial reporting.

KPMG LLP

Chartered Accountants
Calgary, Canada

March 8, 2013

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Precision Drilling Corporation

We have audited Precision Drilling Corporation's (the "Corporation") internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report to the Shareholders. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Corporation as of December 31, 2012 and December 31, 2011, and the related consolidated statements of income, shareholders' equity and cash flow for the years then ended, and our report dated March 8, 2013 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Chartered Accountants
Calgary, Canada

March 8, 2013

Consolidated Statements of Financial Position

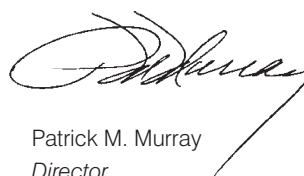
<i>(Stated in thousands of Canadian dollars)</i>	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash	\$ 152,768	\$ 467,476
Accounts receivable	(Note 23) 509,547	576,243
Inventory	13,787	7,163
Total current assets	676,102	1,050,882
Non-current assets:		
Income tax recoverable	64,579	64,579
Property, plant and equipment	(Note 4) 3,242,929	2,942,296
Intangibles	(Note 5) 6,101	6,471
Goodwill	(Note 6) 310,552	363,646
Total non-current assets	3,624,161	3,376,992
Total assets	\$ 4,300,263	\$ 4,427,874
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	(Note 23) \$ 333,893	\$ 436,667
Income tax payable	64,188	3,786
Total current liabilities	398,081	440,453
Non-current liabilities:		
Share based compensation	(Note 8) 8,676	11,303
Provisions and other	(Note 9) 17,818	16,121
Long-term debt	(Note 10) 1,218,796	1,239,616
Deferred tax liabilities	(Note 11) 485,592	587,790
Total non-current liabilities	1,730,882	1,854,830
Contingencies and guarantees	(Note 24)	
Commitments	(Note 17)	
Shareholders' equity:		
Shareholders' capital	(Note 12) 2,251,982	2,248,217
Contributed surplus	24,474	18,396
Deficit	(44,621)	(83,160)
Accumulated other comprehensive loss	(Note 13) (60,535)	(50,862)
Total shareholders' equity	2,171,300	2,132,591
Total liabilities and shareholders' equity	\$ 4,300,263	\$ 4,427,874

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors:



Allen R. Hagerman
Director



Patrick M. Murray
Director

Consolidated Statements of Earnings

Years ended December 31, (Stated in thousands of Canadian dollars, except per share amounts)		2012	2011
Revenue		\$ 2,040,741	\$ 1,951,027
Expenses:			
Operating	(Note 23)	1,243,301	1,131,022
General and administrative	(Note 23)	126,648	124,941
Earnings before income taxes, finance charges, foreign exchange, impairment of goodwill, loss on asset decommissioning and depreciation and amortization		670,792	695,064
Depreciation and amortization		307,525	251,483
Loss on asset decommissioning	(Note 4)	192,469	114,893
Operating earnings		170,798	328,688
Impairment of goodwill		52,539	–
Foreign exchange		3,753	(23,674)
Finances charges	(Note 14)	86,829	111,578
Earnings before tax		27,677	240,784
Income taxes:	(Note 11)		
Current		70,576	43,779
Deferred		(95,259)	3,528
		(24,683)	47,307
Net earnings		\$ 52,360	\$ 193,477
Earnings per share:	(Note 18)		
Basic		\$ 0.19	\$ 0.70
Diluted		\$ 0.18	\$ 0.67

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended December 31, (Stated in thousands of Canadian dollars)		2012	2011
Net earnings		\$ 52,360	\$ 193,477
Unrealized gain (loss) on translation of assets and liabilities of operations denominated in foreign currency		(32,878)	33,050
Foreign exchange gain (loss) on net investment hedge with U.S. denominated debt, net of tax (\$nil; 2011 – \$2,148 recovery)		23,205	(37,692)
Comprehensive income		\$ 42,687	\$ 188,835

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

Years ended December 31, (Stated in thousands of Canadian dollars)	2012	2011
Cash provided by (used in):		
Operations:		
Net earnings	\$ 52,360	\$ 193,477
Adjustments for:		
Long-term compensation plans	19,350	20,555
Depreciation and amortization	307,525	251,483
Loss on asset decommissioning	192,469	114,893
Impairment of goodwill	52,539	–
Foreign exchange	4,403	(24,330)
Finance charges	86,829	111,578
Income taxes	(24,683)	47,307
Other	1,018	(2,564)
Income taxes paid	(10,403)	(124,682)
Income taxes recovered	721	82,883
Interest paid	(85,251)	(79,902)
Interest received	1,935	1,690
Funds provided by operations	598,812	592,388
Changes in non-cash working capital balances	(Note 23) 36,474	(59,616)
	635,286	532,772
Investments:		
Business acquisitions, net of cash acquired	(Note 19) (25)	(92,886)
Purchase of property, plant and equipment	(Note 4) (868,057)	(726,357)
Proceeds on sale of property, plant and equipment	31,423	15,983
Changes in non-cash working capital balances	(Note 23) (93,462)	87,798
	(930,121)	(715,462)
Financing:		
Repayment of long-term debt	–	(175,000)
Premium paid on settlement of unsecured senior notes	–	(26,688)
Debt issue costs	(2,855)	(13,303)
Debt facility amendment costs	(149)	(1,134)
Dividends paid	(13,821)	–
Increase in long-term debt	–	581,520
Issuance of common shares on the exercise of options	1,926	2,238
Changes in non-cash working capital balances	(Note 23) –	(746)
	(14,899)	366,887
Effect of exchange rate changes on cash and cash equivalents	(4,974)	26,448
Increase (decrease) in cash and cash equivalents	(314,708)	210,645
Cash and cash equivalents, beginning of year	467,476	256,831
Cash and cash equivalents, end of year	\$ 152,768	\$ 467,476

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

<i>(Stated in thousands of Canadian dollars)</i>	Shareholders' capital	Contributed surplus	Accumulated other comprehensive loss (Note 13)	Deficit	Total equity
Balance at January 1, 2012	\$ 2,248,217	\$ 18,396	\$ (50,862)	\$ (83,160)	\$ 2,132,591
Net earnings for the period	–	–	–	52,360	52,360
Other comprehensive loss for the period	–	–	(9,673)	–	(9,673)
Dividends	–	–	–	(13,821)	(13,821)
Share options exercised (Note 12)	3,050	(1,124)	–	–	1,926
Issued on redemption of non-management directors DSUs	706	(706)	–	–	–
Issued on waiver of right to dissent by dissenting unitholder	9	(3)	–	–	6
Share based compensation expense (Note 8)	–	7,911	–	–	7,911
Balance at December 31, 2012	\$ 2,251,982	\$ 24,474	\$ (60,535)	\$ (44,621)	\$ 2,171,300

<i>(Stated in thousands of Canadian dollars)</i>	Shareholders' capital	Contributed surplus	Accumulated other comprehensive loss (Note 13)	Deficit	Total equity
Balance at January 1, 2011	\$ 2,244,417	\$ 11,266	\$ (46,220)	\$ (276,637)	\$ 1,932,826
Net earnings for the period	–	–	–	193,477	193,477
Other comprehensive loss for the period	–	–	(4,642)	–	(4,642)
Share options exercised (Note 12)	3,416	(1,178)	–	–	2,238
Issued on redemption of non-management directors DSUs	384	(384)	–	–	–
Share based compensation expense (Note 8)	–	8,692	–	–	8,692
Balance at December 31, 2011	\$ 2,248,217	\$ 18,396	\$ (50,862)	\$ (83,160)	\$ 2,132,591

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Tabular amounts are stated in thousands of Canadian dollars except share numbers and per share amounts)

NOTE 1. DESCRIPTION OF BUSINESS

Precision Drilling Corporation ("Precision" or the "Corporation") is incorporated under the laws of the Province of Alberta, Canada and is a provider of contract drilling and completion and production services primarily to oil and natural gas exploration and production companies in Canada and the United States. The address of the registered office is 800, 525 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1G1.

NOTE 2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on March 8, 2013.

(b) Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis except as detailed in the Corporation's accounting policies in Note 3 and are presented in thousands of Canadian dollars.

(c) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingencies. These estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The estimation of anticipated future events involves uncertainty and, consequently, the estimates used in preparation of the consolidated financial statements may change as future events unfold, more experience is acquired or the Corporation's operating environment changes. Significant estimates and judgments used in the preparation of the financial statements are described in Note 3.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and all of its subsidiaries and partnerships substantially all of which are wholly-owned. The financial statements of the subsidiaries are prepared for the same period as the parent entity, using consistent accounting policies. All significant intercompany balances, transactions and any unrealized gains and losses arising from intercompany transactions, have been eliminated.

Subsidiaries are entities (including special-purpose entities) controlled by the Corporation. Control exists when Precision has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Precision does not hold investments in any companies where it exerts significant influence and does not hold interests in any special-purpose entities.

The acquisition method is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the statement of earnings. Transaction costs, other than those associated with the issuance of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments with original maturities of three months or less.

(c) Inventory

Inventory is primarily comprised of operating supplies and is carried at the lower of average cost, being the cost to acquire the inventory, and net realizable value. Inventory is charged to operating expenses as items are sold or consumed at the amount of the average cost of the item.

(d) Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and any accumulated impairment losses.

Cost includes an expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and borrowing costs on qualifying assets.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment (repair and maintenance) are recognized in profit or loss as incurred.

Property, plant, and equipment are depreciated as follows:

	Expected life	Salvage value	Basis of depreciation
Drilling rig equipment:			
– Power & Tubulars	1,700 utilization days	–	unit-of-production
– Dynamic	3,400 utilization days	–	unit-of-production
– Structural	5,000 utilization days	20%	unit-of-production
Service rig equipment	24,000 service hours	20%	unit-of-production
Drilling rig spare equipment	up to 15 years	–	straight-line
Service rig spare equipment	up to 15 years	–	straight-line
Rental equipment	10 to 15 years	0 to 25%	straight-line
Other equipment	3 to 10 years	–	straight-line
Light duty vehicles	4 years	–	straight-line
Heavy duty vehicles	7 to 10 years	–	straight-line
Buildings	10 to 20 years	–	straight-line

Assets that are depreciated on a unit of production method that have less than 60 utilization days (drilling rig equipment) or 600 service hours (service rig equipment) in a rolling 12 month period are deemed to be idle and are depreciated at a rate of five utilization days or 50 service hours per month until the asset exceeds the utilization threshold. Commencing January 1, 2012 certain drilling rigs are now depreciated on a straight-line basis over their estimated remaining economic life of four years (see note 4).

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

The estimated useful lives, residual values and methods of depreciation are reviewed annually, and adjusted prospectively if appropriate.

(e) Intangibles

Intangible assets that are acquired by the Corporation with finite lives are initially recorded at estimated fair value and subsequently measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when it increases the future economic benefits of the specific asset to which it relates.

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

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

The estimated useful lives and methods of amortization are reviewed annually, and adjusted prospectively if appropriate.

(f) Goodwill

Goodwill is the amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, attributed to the cash generating unit or groups of cash generating units that are expected to benefit and as identified in the business combination.

(g) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is tested for impairment if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, and indications that a debtor will enter bankruptcy. Precision considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All significant receivables found not to be specifically impaired are then collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and other intangible assets that have indefinite lives or that are not yet available for use an impairment test is completed at the same time each year.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from the cash generating unit.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Borrowing costs

Interest and borrowing costs that are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to prepare for their intended use are capitalized as part of the cost of those assets. Capitalization ceases during any extended period of suspension of construction or when substantially all activities necessary to prepare the asset for its intended use are complete.

All other interest and borrowing costs are recognized in earnings in the period in which they are incurred.

(i) Income taxes

Income tax expense is recognized in net earnings except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable earnings or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in net earnings in the period that includes the date of enactment or substantive enactment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities that are expected to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Revenue recognition

The Corporation's services are generally sold based upon service orders or contracts with a customer that include fixed or determinable prices based upon daily, hourly or job rates. Customer contract terms do not include provisions for significant post-service delivery obligations. Revenue is recognized when services and equipment rentals are rendered and only when collectability is reasonably assured. The Corporation also provides services under turnkey contracts whereby it drills a well to an agreed upon depth under specified conditions for a fixed price, regardless of the time required or the problems encountered in drilling the well. Revenue from turnkey drilling contracts is recognized using the percentage-of-completion method based upon costs incurred to date and estimated total contract costs. Anticipated losses, if any, on uncompleted contracts are recorded at the time the estimated costs exceed the contract revenue.

(k) Employee benefit plans

Precision sponsors various defined contribution retirement plans for its employees. The Corporation's contributions to defined contribution plans are expensed as employees earn the entitlement.

(l) Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) Share based incentive compensation plans

The Corporation has established several cash settled share based incentive compensation plans for officers, non-management directors and other eligible employees. The fair values as estimated by management of the amounts payable to eligible participants under these plans are recognized as an expense with a corresponding increase in liabilities over the period that the participants become unconditionally entitled to payment. The recorded liability is re-measured at the end of each reporting period until settlement with the resultant change to the fair value of the liability recognized in net earnings for the period. When the plans are settled, the cash paid reduces the outstanding liability.

Prior to January 1, 2012, the Corporation had an equity settled deferred share unit plan whereby non-management directors of Precision could elect to receive all or a portion of their compensation in fully-vested deferred share units. Compensation expense was recognized based on the fair value price of the Corporation's shares at the date of grant with a corresponding increase to contributed surplus. Upon redemption of the deferred share units into common shares, the amount previously recognized in contributed surplus is recorded as an increase to shareholders' capital. The Corporation continues to have obligations under this plan.

A share option plan has been established for certain eligible employees. Under this plan the fair value of share purchase options is calculated at the date of grant using the Black-Scholes option pricing model and that value is recorded as compensation expense over the grant's vesting period with an offsetting credit to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon exercise of the equity purchase option, the associated amount is reclassified from contributed surplus to shareholders' capital. Consideration paid by employees upon exercise of the equity purchase options is credited to shareholders' capital.

(n) Foreign currency translation

Transactions of the Corporation's individual entities are recorded in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the entities functional currency are translated at rates in effect at the time of the transaction. At each period end monetary assets and liabilities are translated at the prevailing period end rates. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses are included in net earnings except for gains and losses on translation of long-term debt designated as a hedge of foreign operations which are deferred and included in accumulated other comprehensive income.

For the purpose of preparing the Corporation's consolidated financial statements, the financial statements of each foreign operation that does not have a Canadian dollar functional currency are translated into Canadian dollars. Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated using average exchange rates for the month of the respective transaction. Gains or losses resulting from these translation adjustments are recognized initially in other comprehensive income and reclassified from equity to net earnings on disposal or partial disposal of the foreign operation.

(o) Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated by using the treasury stock method for equity based compensation arrangements. The treasury stock method assumes that any proceeds obtained on exercise of equity based compensation arrangements would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the difference between the number of shares issued from the exercise of equity based compensation arrangements and shares repurchased from the related proceeds.

(p) Financial instruments

(i) Non-derivative financial assets

Financial assets are classified as either fair value through profit and loss, loans and receivables, held to maturity or available for sale. Financial liabilities are classified as either fair value through profit and loss or other financial liabilities. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Transaction costs attributable to fair value through profit or loss items are expensed as incurred. Subsequent to initial recognition non-derivative financial instruments are measured based on their classification.

Accounts receivable are classified as “loans and receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Corporation, the measured amount generally corresponds to historical cost.

Accounts payable and accrued liabilities and long-term debt are classified as “other financial liabilities”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Corporation, the measured amount generally corresponds to historical cost.

(ii) Derivative financial instruments

The Corporation may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in interest rates or exchange rates. These instruments are not used for trading or speculative purposes. Precision has not designated its financial derivative contracts as effective accounting hedges, and thus not applied hedge accounting, even though it considers certain financial contracts to be economic hedges. As a result, financial derivative contracts are classified as fair value through profit or loss and are recorded on the balance sheet at estimated fair value. Transaction costs are recognized in profit or loss when incurred.

Derivatives embedded in other instruments or host contracts are separated from the host contract and accounted for separately when their economic characteristics and risks are not closely related to the host contract. Embedded derivatives are recorded on the balance sheet at estimated fair value and changes in the fair value are recognized in earnings.

(q) Hedge accounting

The Corporation utilizes foreign currency long-term debt to hedge its exposure to changes in the carrying values of the Corporation's net investment in certain foreign operations as a result of changes in foreign exchange rates.

To be accounted for as a hedge, the foreign currency long-term debt must be designated and documented as a hedge, and must be effective at inception and on an ongoing basis. The documentation defines the relationship between the foreign currency long-term debt and the net investment in the foreign operations, as well as the Corporation's risk management objective and strategy for undertaking the hedging transaction. The Corporation formally assesses, both at inception and on an ongoing basis whether the changes in fair value of the foreign currency long-term debt is highly effective in offsetting changes in fair value of the net investment in the foreign operations. The portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in other comprehensive income, net of tax, and is limited to the translation gain or loss on the net investment, while the ineffective portion is recorded in earnings. If the hedging relationship is terminated or ceases to be effective, hedge accounting is not applied to subsequent gains or losses. The amounts recognized in other comprehensive income are reclassified to net earnings when corresponding exchange gains or losses arising from the translation of the foreign operation are recorded in net earnings.

(r) Critical accounting estimates and judgments

(i) Allowance for doubtful accounts receivable

Precision performs ongoing credit evaluations of its customers and grants credit based upon past payment history, financial condition and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions.

(ii) Property, plant and equipment

The componentization of Precision's property, plant and equipment, specifically drilling rig equipment, is based upon management's judgment as to which components constitute a significant cost in relation to the entire item. The componentization process also requires management's judgment in assessing whether individual components have similar consumption patterns and useful lives.

(iii) Depreciation and amortization

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

(iv) Impairment of long-lived assets

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

The recoverability of goodwill requires a calculation of the recoverable amount of the cash generating unit ("CGU") or groups of CGUs to which goodwill has been allocated. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Judgment is required in the aggregation of assets into CGUs. The recoverability calculation requires an estimation of the future cash flows from the CGU or group of CGUs and the appropriate discount rate to be applied. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

(v) Income taxes

Deferred tax assets and liabilities arise from temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and contain estimates regarding the nature and timing of reversal for the temporary differences as well as the future tax rates that will apply to those reversals. Deferred tax assets also reflect the benefit of unutilized tax losses that can be carried forward to reduce income taxes in future years. Judgment is required to assess the recoverability of these unutilized tax losses and requires Precision to make significant estimates related to expectations of future taxable income. To the extent that future cash flows and taxable income differ significantly from estimates, or changes in tax laws in jurisdictions in which Precision operates occurs, the amount recorded as deferred taxes on the balance sheet could be impacted.

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

(vi) Share based compensation

Precision uses an option pricing model to determine the fair value of certain share based compensation awards. Inputs to the model requires estimates be made of interest rates, expected lives and forfeiture rates of the awards, and the price volatility of the Corporation's shares.

(s) Accounting policies adopted January 1, 2013

The Corporation adopted IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, as well as the consequential amendments to IAS 28 Investments in Associates and Joint Ventures (2011) and IFRS 13 Fair Value Measurement, with a date of initial application of January 1, 2013.

The adoption of these standards on January 1, 2013 will have no impact on the amounts recorded in the Corporation's financial statements.

(i) IFRS 10 Consolidated Financial Statements

IFRS 10 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation of an investee if the Corporation controls the investee on the basis of de facto circumstances.

Subsidiaries are entities controlled by the Corporation. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) IFRS 11 Joint Arrangements

Joint arrangements are arrangements of which the Corporation has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures depending on the Corporation's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Corporation considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangement and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Corporation has no joint arrangements under IFRS 11.

(iii) IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 sets out certain disclosures that are required relating to interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Corporation does not have any investments that are not consolidated nor has it entered into any joint arrangements or structured entities.

The Corporation's subsidiaries, as detailed in note 25, are all wholly owned. The determination of whether to consolidate these entities did not involve any significant judgments or assumptions. There are no significant restrictions on the ability of the Corporation to access or use the assets, and settle the liabilities of the Corporation and its subsidiaries except for customary limitations in the Corporation's credit facility.

(iv) IFRS 13 Fair Value Measurement

IFRS 13 defines fair value, sets out a single standard a framework for measuring fair value and the required disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

IFRS 13 is applied prospectively to fair value measurements occurring on or after January 1, 2013. The additional disclosure requirements of IFRS 13 are also applied prospectively and will be presented, as relevant, in the 2013 interim and annual financial statements.

(t) Accounting policies not yet adopted

IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The Corporation is currently evaluating the impact of adopting this standard on its financial statements.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

	2012	2011
Cost	\$ 4,608,381	\$ 4,129,718
Accumulated depreciation	(1,365,452)	(1,187,422)
	\$ 3,242,929	\$ 2,942,296
Rig equipment	\$ 2,819,491	\$ 2,432,867
Rental equipment	91,351	58,589
Other equipment	78,358	55,205
Vehicles	40,759	10,239
Buildings	50,585	28,133
Assets under construction	133,791	336,605
Land	28,594	20,658
	\$ 3,242,929	\$ 2,942,296

Cost

	Rig Equipment	Rental Equipment	Other Equipment	Vehicles	Buildings	Assets under construction	Land	Total
Balance, December 31, 2010	\$ 3,138,513	\$ 89,894	\$ 114,528	\$ 26,078	\$ 42,867	\$ 66,721	\$ 18,974	\$ 3,497,575
Business acquisitions	23,650	-	377	-	1,271	-	357	25,655
Additions	119,973	11,617	22,486	4,966	3,848	562,196	1,271	726,357
Disposals	(23,054)	(2,110)	(3,948)	(3,287)	-	-	-	(32,399)
Asset decommissioning	(130,167)	-	-	-	-	-	-	(130,167)
Reclassifications	271,770	13,292	9,546	87	39	(294,734)	-	-
Removal of fully depreciated assets	(1,923)	-	(676)	(60)	-	-	-	(2,659)
Effect of foreign currency exchange differences	42,290	14	250	267	57	2,422	56	45,356
Balance, December 31, 2011	3,441,052	112,707	142,563	28,051	48,082	336,605	20,658	4,129,718
Additions	256,661	17,068	18,330	32,994	21,998	512,139	8,867	868,057
Disposals	(26,796)	(920)	(8,311)	(2,267)	(971)	(38,405)	(857)	(78,527)
Asset decommissioning	(262,192)	-	-	-	-	-	-	(262,192)
Reclassifications	619,351	24,530	19,144	4,959	2,295	(670,279)	-	-
Removal of fully depreciated assets	-	-	(71)	-	-	-	-	(71)
Effect of foreign currency exchange differences	(41,333)	(1,034)	(18)	(541)	665	(6,269)	(74)	(48,604)
Balance, December 31, 2012	\$ 3,986,743	\$ 152,351	\$ 171,637	\$ 63,196	\$ 72,069	\$ 133,791	\$ 28,594	\$ 4,608,381

Accumulated Depreciation

	Rig Equipment	Rental Equipment	Other Equipment	Vehicles	Buildings	Assets under construction	Land	Total
Balance, December 31, 2010	\$ 799,305	\$ 49,079	\$ 82,466	\$ 16,704	\$ 17,623	\$ -	\$ -	\$ 965,177
Depreciation expense	231,415	5,542	10,073	3,939	2,285	-	-	253,254
Disposals	(12,580)	(1,812)	(3,764)	(2,943)	-	-	-	(21,099)
Asset decommissioning	(15,273)	-	-	-	-	-	-	(15,273)
Reclassifications	(466)	1,148	(682)	-	-	-	-	-
Removal of fully depreciated assets	(1,923)	-	(676)	(60)	-	-	-	(2,659)
Effect of foreign currency exchange differences	7,707	161	(59)	172	41	-	-	8,022
Balance, December 31, 2011	1,008,185	54,118	87,358	17,812	19,949	-	-	1,187,422
Depreciation expense	274,129	7,901	14,280	6,917	2,341	-	-	305,568
Disposals	(35,697)	(785)	(8,213)	(2,132)	(884)	-	-	(47,711)
Asset decommissioning	(69,723)	-	-	-	-	-	-	(69,723)
Reclassifications	60	(156)	646	16	(566)	-	-	-
Removal of fully depreciated assets	-	-	(71)	-	-	-	-	(71)
Effect of foreign currency exchange differences	(9,702)	(78)	(721)	(176)	644	-	-	(10,033)
Balance, December 31, 2012	\$ 1,167,252	\$ 61,000	\$ 93,279	\$ 22,437	\$ 21,484	\$ -	\$ -	\$ 1,365,452

In 2012 the Corporation incurred a \$192.5 million (2011 – \$114.9 million) loss on the decommissioning of certain drilling rigs. The assets were decommissioned due to the inefficient nature of the asset and the high cost to maintain. The charge was allocated \$192.5 million (2011 – \$113.4 million) to the Contract Drilling Services segment and \$nil (2011 – \$1.5 million) to the Completion and Production Services segment.

During 2012 the Corporation reviewed the remaining economic lives of certain drilling rigs and determined that due to current market conditions the lives of these rigs should be reduced to four years and depreciation be charged on a straight-line basis to their estimated salvage value. The effect of this change was to increase depreciation expense by \$21.3 million in 2012. As these rigs were previously depreciated on a unit of production basis, the impact of the change on future periods cannot be reasonably estimated.

NOTE 5. INTANGIBLES

	2012	2011
Cost	\$ 12,388	\$ 9,925
Accumulated amortization	(6,287)	(3,454)
	\$ 6,101	\$ 6,471
Customer relationships	\$ 1,890	\$ 3,283
Patents and brands	21	118
Loan commitment fees related to revolving credit facility	4,190	3,070
	\$ 6,101	\$ 6,471

Cost

	Customer relationships	Patents and brands	Loan commitment fees	Total
Balance, December 31, 2010	\$ 4,321	\$ 931	\$ 4,905	\$ 10,157
Business acquisitions	3,425	793	-	4,218
Effect of foreign currency exchange differences	556	15	-	571
Removal of fully amortized assets	(3,702)	(1,319)	-	(5,021)
Balance, December 31, 2011	4,600	420	4,905	9,925
Business acquisitions	-	-	-	-
Additions	-	-	2,855	2,855
Effect of foreign currency exchange differences	(25)	(8)	-	(33)
Removal of fully amortized assets	-	(359)	-	(359)
Balance, December 31, 2012	\$ 4,575	\$ 53	\$ 7,760	\$ 12,388

Accumulated amortization

	Customer relationships	Patents and brands	Loan commitment fees	Total
Balance, December 31, 2010	\$ 2,697	\$ 892	\$ 202	\$ 3,791
Amortization expense	1,798	722	1,633	4,153
Effect of foreign currency exchange differences	524	7	-	531
Removal of fully amortized assets	(3,702)	(1,319)	-	(5,021)
Balance, December 31, 2011	1,317	302	1,835	3,454
Amortization expense	1,376	96	1,735	3,207
Effect of foreign currency exchange differences	(8)	(7)	-	(15)
Removal of fully amortized assets	-	(359)	-	(359)
Balance, December 31, 2012	\$ 2,685	\$ 32	\$ 3,570	\$ 6,287

NOTE 6. GOODWILL

Balance, December 31, 2010	\$	284,532
Business acquisitions		78,034
Exchange adjustment		1,080
Balance, December 31, 2011		363,646
Business acquisitions		25
Impairment charge		(52,539)
Exchange adjustment		(580)
Balance, December 31, 2012	\$	310,552

During 2012 the Corporation determined that the carrying value of the goodwill allocated to the Canadian directional drilling CGU exceeded its recoverable amount and recognized an impairment loss of \$52.5 million. The recoverable amount was based on its value in use determined by discounting expected future cash flows to be generated from the continuing use of the assets within the CGU.

Key assumptions used in the calculation of value in use included a discount rate of 15%, terminal value growth rate of nil % and average projected annual cash flow growth over the next four years of 40%. No terminal value growth rate was used due to the finite lives of the underlying assets of the CGU. Projected cash flow was based on future expected outcomes taking into account past experience and management expectation of future market conditions. A 10% change in the key assumptions would not change the amount of the impairment loss recognized.

NOTE 7. BANK INDEBTEDNESS

At December 31, 2012, Precision had available \$40.0 million (2011 – \$25.0 million) and US\$15.0 million (2011 – US\$15.0 million) under secured operating facilities, and a secured US\$25.0 million (2011 – \$nil) facility for the issuance of letters of credit and performance and bid bonds to support international operations. As at December 31, 2012 no amounts had been drawn on any of the facilities. Availability of the \$40.0 million facility was reduced by outstanding letters of credit in the amount of \$18.9 million (2011 – \$0.5 million). The facilities are primarily secured by charges on substantially all present and future property of Precision and its material subsidiaries. Advances under the \$40.0 million facility are available at the banks' prime lending rate, U.S. base rate, U.S. Libor plus applicable margin or Banker's Acceptance plus applicable margin, or in combination and under the US\$15.0 million and US\$25.0 million facilities at the bank's prime lending rate.

NOTE 8. SHARE BASED COMPENSATION PLANS

Liability classified plans

	Deferred Share Units	Long-Term Incentive Plan	Restricted Share Units	Performance Share Units	Share Appreciation Rights	Non- Management Director's DSU	Total
Balance, December 31, 2010	\$ 1,638	\$ 3,721	\$ 8,463	\$ 8,655	\$ 2,176	\$ –	\$ 24,653
Expensed (recovered) during the period	313	(23)	9,538	16,668	(403)	–	26,093
Payments	(1,189)	(3,698)	(5,472)	(73)	(80)	–	(10,512)
Balance, December 31, 2011	762	–	12,529	25,250	1,693	–	40,234
Expensed (recovered) during the period	(44)	–	5,094	6,022	(1,195)	816	10,693
Payments	(718)	–	(7,938)	(17,494)	(1)	–	(26,151)
Balance, December 31, 2012	\$ –	\$ –	\$ 9,685	\$ 13,778	\$ 497	\$ 816	\$ 24,776
Current	\$ –	\$ –	\$ 6,324	\$ 9,279	\$ 497	\$ –	\$ 16,100
Long-term	–	–	3,361	4,499	–	816	8,676
	\$ –	\$ –	\$ 9,685	\$ 13,778	\$ 497	\$ 816	\$ 24,776

(a) Restricted Share Units and Performance Share Units

Precision has two cash settled share based incentive plans for officers and other eligible employees. Under the Restricted Share Unit ("RSU") incentive plan shares granted to eligible employees vest annually over a three year term. Vested shares are automatically paid out in cash at a value determined by the fair market value of the shares at the vesting date. Under the Performance Share Unit ("PSU") incentive plan shares granted to eligible employees vest at the end of a three-year term. Vested shares are automatically paid out in cash in the first quarter following the vested term at a value determined by the fair market value of the shares at the vesting date and based on the number of performance shares held multiplied by a performance factor that ranges from zero to two times. The performance factor is based on Precision's share price performance compared to a peer group over the three-year period. For performance shares granted in 2010, Precision's Board of Directors has the discretion to reduce the plan payout by half if Precision's average return on capital does not exceed 10% over the three year term. A summary of the RSUs and PSUs outstanding under these share based incentive plans are presented below:

	RSUs Outstanding	PSUs Outstanding
Outstanding at December 31, 2010	1,287,176	1,719,965
Granted	1,208,224	589,370
Redeemed	(528,578)	(13,128)
Forfeitures	(129,992)	(166,699)
Outstanding at December 31, 2011	1,836,830	2,129,508
Granted	1,117,850	802,000
Issued as a result of cash dividends	11,566	11,972
Redeemed	(864,857)	(851,499)
Forfeitures	(221,139)	(143,029)
Outstanding at December 31, 2012	1,880,250	1,948,952

Prior to the implementation of the RSU and PSU incentive plans mentioned above, Precision had a Performance Savings Plan. Certain liabilities under this plan continued to exist as eligible participants were able to elect to receive a portion of their annual performance bonus in the form of deferred share units ("DSUs"). These notional share units were redeemable in cash and were required to be redeemed within 60 days of ceasing to be an employee of Precision or by the end of the second full calendar year after receipt of the DSUs. A summary of the DSUs outstanding under this share based incentive plan is presented below:

Deferred Share Units	Outstanding
Balance, December 31, 2010	167,442
Redeemed on employee resignations and withdrawals	(95,872)
Balance, December 31, 2011	71,570
Redeemed on employee resignations and withdrawals	(71,570)
Balance, December 31, 2012	-

(b) Share Appreciation Rights

The Corporation has a U.S. dollar denominated Share Appreciation Rights ("SAR") plan under which eligible participants were granted SAR's that entitle the rights holder to receive cash payments calculated as the excess of the market price over the exercise price per share on the exercise date. The SAR's vest over a period of 5 years and expire 10 years from the date of grant. At December 31, 2012, the intrinsic value of these awards was \$nil (2011 – \$61 thousand).

Share Appreciation Rights	Outstanding	Range of Exercise Price (US \$)	Weighted Average Exercise Price (US \$)	Exercisable
Outstanding at December 31, 2010	745,615	\$ 9.26 – 17.92	\$ 14.79	707,327
Exercised	(25,163)	9.26 – 15.79	12.83	
Forfeited	(14,764)	15.22 – 17.38	16.27	
Outstanding at December 31, 2011	705,688	9.26 – 17.92	14.83	705,688
Exercised	(721)	9.26 – 9.59	9.45	
Forfeited	(26,725)	15.22 – 17.92	15.55	
Outstanding at December 31, 2012	678,242	\$ 9.26 – 17.38	\$ 14.81	678,242

Range of Exercise Prices (US \$):	Total SAR's Outstanding and Exercisable		
	Number	Weighted Average Exercise Price (US \$)	Weighted Average Remaining Contractual Life (Years)
\$ 9.26 – 11.99	59,903	\$ 9.26	1.23
12.00 – 14.99	115,478	13.26	2.10
15.00 – 17.38	502,861	15.82	4.43
\$ 9.26 – 17.38	678,242	\$ 14.81	3.75

(c) Non-management directors

Effective January 1, 2012 Precision instituted a new deferred share unit plan for non-management directors whereby fully vested deferred share units are granted quarterly based upon an election by the non-management director to receive all or a portion of their compensation in deferred share units. These deferred share units are redeemable in cash or an equal number of common shares upon the director's retirement. The redemption of deferred share units in cash or common shares is solely at Precision's discretion. Non-management directors can receive a lump sum payment or two separate payments anytime up until December 15 of the year following retirement. If the non-management director does not specify a redemption date, the deferred share units will be redeemed on a single date six months after retirement. The cash settlement amount is based upon the weighted average trading price for Precision's shares on the Toronto Stock Exchange for the five days immediately prior to payout. A summary of the DSUs outstanding under this share based incentive plan is presented below:

Deferred Share Units	Outstanding
Balance, January 1, 2012	–
Granted	101,535
Issued as a result of cash dividends	429
Balance, December 31, 2012	101,964

Equity settled plans

(d) Non-management directors

Prior to January 1, 2012, Precision had a deferred share unit plan for non-management directors. Under the plan fully vested deferred share units were granted quarterly based upon an election by the non-management director to receive all or a portion of their compensation in deferred share units. These deferred share units are redeemable into an equal number of common shares any time after the director's retirement. A summary of this share based incentive plan is presented below:

Deferred Share Units	Outstanding
Balance, December 31, 2010	393,717
Granted	70,974
Redeemed	(47,196)
Balance, December 31, 2011	417,495
Issued as a result of cash dividends	1,630
Redeemed	(83,179)
Balance, December 31, 2012	335,946

For the year ended December 31, 2012 no amounts were expensed under this plan. For the year ended December 31, 2011 the Corporation, expensed \$0.8 million as share based compensation with a corresponding increase in contributed surplus.

(e) Option plan

The Corporation has a share option plan under which a combined total of 10,303,253 options to purchase shares are reserved to be granted to employees. Of the amount reserved 7,094,988 options net of forfeiture have been granted. Under this plan, the exercise price of each option equals the fair market of the option at the date of grant determined by the weighted average trading price for the five days preceding the grant. The options are denominated in either Canadian or U.S. dollars and vest over a period of three years from the date of grant as employees render continuous service to the Corporation and have a term of seven years.

A summary of the status of the equity incentive plan is presented below:

<i>Canadian share options</i>	Options Outstanding	Range of Exercise Price	Weighted Average Exercise Price	Options Exercisable
Outstanding as at December 31, 2010	2,341,769	\$ 5.22 – 8.59	\$ 7.24	386,013
Granted	1,241,050	10.44 – 14.50	10.66	
Exercised	(141,240)	5.85 – 8.59	6.81	
Forfeitures	(174,008)	5.85 – 14.50	9.17	
Outstanding as at December 31, 2011	3,267,571	5.22 – 14.50	8.45	1,008,305
Granted	1,117,050	7.15 – 10.67	10.60	
Exercised	(237,545)	5.85 – 10.44	6.01	
Forfeitures	(133,279)	5.85 – 14.50	10.27	
Outstanding as at December 31, 2012	4,013,797	\$ 5.22 – 14.50	\$ 9.13	1,846,603

<i>U.S. share options</i>	Options Outstanding	Range of Exercise Price (US \$)	Weighted Average Exercise Price (US \$)	Options Exercisable
Outstanding as at December 31, 2010	1,381,354	\$ 4.95 – 8.06	\$ 6.77	158,177
Granted	872,319	10.55 – 15.21	10.95	
Exercised	(206,685)	4.95 – 8.06	6.35	
Forfeitures	(160,436)	4.95 – 10.55	8.36	
Outstanding as at December 31, 2011	1,886,552	4.95 – 15.21	8.61	396,188
Granted	867,000	7.14 – 10.74	10.58	
Exercised	(72,409)	4.95 – 10.55	6.94	
Forfeitures	(281,163)	4.95 – 15.21	9.84	
Outstanding as at December 31, 2012	2,399,980	\$ 4.95 – 15.21	\$ 9.23	935,035

The weighted average share price at the date of exercise for share options exercised in 2012 was \$9.42 (2011 – \$13.70) for the Canadian share options and US\$10.10 (2011 – US\$14.37) for the U.S. share options.

The range of exercise prices for options outstanding at December 31, 2012 are as follows:

<i>Canadian share options</i>		Total Options Outstanding		Exercisable Options	
Range of Exercise Prices:	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number	Weighted Average Exercise Price
\$ 5.22 – 6.99	789,228	\$ 5.85	3.35	789,228	\$ 5.85
7.00 – 8.99	1,071,952	8.54	4.17	693,375	8.57
9.00 – 14.50	2,152,617	10.63	5.61	364,000	10.61
\$ 5.22 – 14.50	4,013,797	\$ 9.13	4.78	1,846,603	\$ 7.81

<i>U.S. share options</i>		Total Options Outstanding		Exercisable Options	
Range of Exercise Prices (US \$):	Number	Weighted Average Exercise Price (US \$)	Weighted Average Remaining Contractual Life (Years)	Number	Weighted Average Exercise Price (US \$)
\$ 4.95 – 5.99	323,692	\$ 4.95	3.35	323,692	\$ 4.95
6.00 – 8.99	659,252	7.83	4.35	386,445	7.86
9.00 – 15.21	1,417,036	10.86	5.64	224,898	11.02
\$ 4.95 – 15.21	2,399,980	\$ 9.23	4.98	935,035	\$ 7.61

The per option weighted average fair value of the share options granted during 2012 was \$4.79 (2011 – \$4.94) estimated on the grant date using the Black-Scholes option pricing model with the following assumption: average risk-free interest rate 1% (2011 – 2%), average expected life of four years (2011 – four years), expected forfeiture rate of 5% (2011 – 5%) and expected volatility of 59% (2011 – 59%). Included in net earnings for the year ended December 31, 2012 is an expense of \$7.9 million (2011 – \$7.9 million).

NOTE 9. PROVISIONS AND OTHER

	Workers' compensation
Balance December 31, 2010	\$ 23,741
Expensed during the year	7,894
Payment of deductibles and uninsured claims	(8,179)
Effects of foreign currency exchange differences	528
Balance December 31, 2011	23,984
Expensed during the year	11,604
Payment of deductibles and uninsured claims	(8,436)
Effects of foreign currency exchange differences	(551)
Balance December 31, 2012	\$ 26,601

	December 31, 2012	December 31, 2011
Current	\$ 8,783	\$ 7,863
Long-term	17,818	16,121
	\$ 26,601	\$ 23,984

Precision maintains a provision for the deductible and uninsured portions of workers' compensation and general liability claims. The amount accrued for the provision for losses incurred varies depending on the number and nature of the claims outstanding at the balance sheet dates. In addition, the accrual includes management's estimate of the future cost to settle each claim such as future changes in the severity of the claim and increases in medical costs. Precision uses third parties to assist in developing the estimate of the ultimate costs to settle each claim, which is based upon historical experience associated with the type of each claim and specific information related to each claim. The specific circumstances of each claim may change over time prior to settlement and as a result, the estimates made as of the balance sheet dates may change.

NOTE 10. LONG-TERM DEBT

	2012	2011
Secured revolving credit facility	\$ -	\$ -
Unsecured senior notes:		
6.625% senior notes due 2020 (US\$650.0 million)	646,685	661,050
6.5% senior notes due 2021 (US\$400.0 million)	397,960	406,800
6.5% senior notes due 2019	200,000	200,000
	1,244,645	1,267,850
Less net unamortized debt issue costs	(25,849)	(28,234)
	\$ 1,218,796	\$ 1,239,616

(a) Secured revolving credit facility

The secured revolving credit facility provides Precision with senior secured financing for general corporate purposes, including for acquisitions, of up to US\$850 million with a provision for an increase in the facility of up to an additional US\$250 million. The secured revolving credit facility is secured by charges on substantially all of Precision's present and future assets and the present and future assets of its material U.S. and Canadian subsidiaries and, if necessary, in order to adhere to covenants under the revolving credit facility, on certain assets of certain subsidiaries organized in a jurisdiction outside of Canada or the U.S. The secured revolving credit facility requires that Precision comply with certain financial covenants including leverage ratios of consolidated senior debt to earnings before interest, taxes, depreciation and amortization as defined in the agreement ("EBITDA") of less than 3:1 and consolidated total debt to EBITDA of less than 4:1 for the most recent four consecutive fiscal quarters; and a interest coverage ratio of greater than 2.75:1 for the most recent four consecutive fiscal quarters. As well the revolving credit facility contains certain covenants that place restrictions on Precision's ability to incur or assume additional indebtedness; dispose of assets; make or pay dividends, share redemptions or other distributions; change its primary business; incur liens on assets; engage in transactions with affiliates; enter into mergers, consolidations or amalgamations; and enter into speculative swap agreements. At December 31, 2012 Precision complied with the covenants of the revolving credit facility.

The revolving credit facility has a term of five years, with an annual option on Precision's part to request that the lenders extend, at their discretion, the facility to a new maturity date not to exceed five years from the date of the extension request. The current maturity date of the revolving credit facility is November 17, 2017.

Under the revolving credit facility amounts can be drawn in U.S. dollars and/or Canadian dollars and was undrawn as at December 31, 2012 and 2011. Up to US\$200 million of the revolving credit facility is available for letters of credit denominated in United States and/or Canadian dollars and as at December 31, 2012 outstanding letters of credit amounted to US\$26.8 million (2011 – US\$22.6 million).

The interest rate on loans that are denominated in U.S. dollars is, at the option of Precision, either a margin over a U.S. base rate or a margin over LIBOR. The interest rate on loans denominated in Canadian dollars is, at the option of Precision, either a margin over the Canadian prime rate or a margin over the bankers' acceptance rate; such margins will be based on the then applicable ratio of consolidated total debt to EBITDA.

(b) Unsecured senior notes

Precision has outstanding the following unsecured senior notes:

- US\$650.0 million of 6.625% Senior Notes due 2020. These notes bear interest at a fixed rate of 6.625% per annum, and mature on November 15, 2020. Interest is payable semi-annually on May 15 and November 15 of each year, commencing on May 15, 2011.
- \$200.0 million of 6.5% Senior Notes due 2019. These notes bear interest at a fixed rate of 6.5% per annum, and mature on March 15, 2019. Interest is payable semi-annually on March 15 and September 15 of each year, commencing on September 15, 2011.
- US\$400.0 million of 6.5% Senior Notes due 2021. These notes bear interest at a fixed rate of 6.5% per annum, and mature on December 15, 2021. Interest is payable semi-annually on June 15 and December 15 of each year, commencing on December 15, 2011.

The 6.625% Senior Notes due 2020 and the 6.5% Senior Notes due 2019 are unsecured, ranking equally with existing and future senior unsecured indebtedness, and have been guaranteed by current and future U.S. and Canadian subsidiaries that guaranteed the revolving credit facility. These notes contain certain covenants that limit Precision's ability and the ability of certain subsidiaries to, incur additional indebtedness and issue preferred stock; create liens; make restricted payments; create or permit to exist restrictions on the ability of Precision or certain subsidiaries to make certain payments and distributions; engage in amalgamations, mergers or consolidations; make certain dispositions and transfers of assets; and engage in transactions with affiliates. If the notes receive an investment grade rating by Standard & Poor's and Moody's Investors Service and Precision and its subsidiaries are not in default under the indenture governing the notes, then Precision will not be required to comply with particular covenants contained in the indenture.

The 6.5% Senior Notes due 2021 are unsecured, ranking equally with existing and future senior unsecured indebtedness, and have been guaranteed by current and future U.S. and Canadian subsidiaries that guaranteed the revolving credit facility. These notes contain certain covenants that limit Precision's ability and the ability of certain subsidiaries to, incur additional indebtedness and issue preferred stock; create liens; make restricted payments; create or permit to exist restrictions on the ability of Precision or certain subsidiaries to make certain payments and distributions; engage in amalgamations, mergers or consolidations; make certain dispositions and transfers of assets; and engage in transactions with affiliates. If the notes receive an investment grade rating by Standard & Poor's or Moody's Investors Service and Precision and its subsidiaries are not in default under the indenture governing the notes, then Precision will not be required to comply with particular covenants contained in the indenture.

Precision may redeem, prior to November 15, 2013, up to 35% of the 6.625% Senior Notes due 2020 with the net proceeds of certain equity offerings. Prior to November 15, 2015, Precision may redeem the notes in whole or in part at 106.625% of their principal amount, plus accrued interest. As well, Precision may redeem the notes in whole or in part at any time on or after November 15, 2015 and before November 15, 2018, at redemption prices ranging between 103.313% and 101.104% of their principal amount plus accrued interest. Anytime on or after November 15, 2018 the notes can be redeemed for their principal amount plus accrued interest. Upon specified change of control events, each holder of a note will have the right to sell to Precision all or a portion of its notes at a purchase price in cash equal to 101% of the principal amount, plus accrued interest to the date of purchase.

Precision may redeem, prior to March 15, 2014, up to 35% of the 6.5% Senior Notes due 2019 with the net proceeds of certain equity offerings at a redemption price equal to 106.5% of the principal amount plus accrued interest. Prior to March 15, 2015, Precision may redeem the notes in whole or in part at 100.0% of their principal amount, plus accrued interest and the greater of 1.0% of the principal amount of the note to be redeemed and the excess, if any, of the present value of the March 15, 2015 redemption price plus required interest payments through March 15, 2015 (calculated using the Government of Canada rate plus 100 basis points) over the principal amount of the note. As well, Precision may redeem the notes in whole or in part at any time on or after March 15, 2015 and before March 15, 2017, at redemption prices ranging between 103.250% and 101.6254% of their principal amount plus accrued interest. Anytime on or after March 15, 2017 the notes can be redeemed for their principal amount plus accrued interest. Upon specified change of control events, each holder of a note will have the right to sell to Precision all or a portion of its notes at a purchase price in cash equal to 101% of the principal amount, plus accrued interest to the date of purchase.

Precision may redeem, prior to December 15, 2014, up to 35% of the 6.5% Senior Notes due 2021 with the net proceeds of certain equity offerings at a redemption price equal to 106.5% of the principal amount plus accrued interest. Prior to December 15, 2016, Precision may redeem the notes in whole or in part at 100.0% of their principal amount, plus accrued interest and the greater of 1.0% of the principal amount of the note to be redeemed and the excess, if any, of the present value of the December 15, 2016 redemption price plus required interest payments through December 15, 2016 (calculated using the United States Treasury rate plus 50 basis points) over the principal amount of the note. As well, Precision may redeem the notes in whole or in part at any time on or after December 15, 2016 and before December 15, 2019, at redemption prices ranging between 103.250% and 101.083% of their principal amount plus accrued interest. Anytime on or after December 15, 2019 the notes can be redeemed for their principal amount plus accrued interest. Upon specified change of control events, each holder of a note will have the right to sell to Precision all or a portion of its notes at a purchase price in cash equal to 101% of the principal amount, plus accrued interest to the date of purchase.

At December 31, 2012 no mandatory principal repayments are required in the next five years.

(c) Guarantor disclosures

The following presents supplemental condensed consolidating financial information for the parent company, guarantor subsidiaries and the non-guarantor subsidiaries, respectively.

Condensed consolidating statement of financial position as at December 31, 2012

	Parent	Guarantor subsidiaries	Non-Guarantor subsidiaries	Consolidating adjustments	Total
Assets					
Cash	\$ 114,709	\$ 15,709	\$ 22,350	\$ –	\$ 152,768
Other current assets	9,238	465,695	48,398	3	523,334
Intercompany receivables	394,112	2,082,616	65,279	(2,542,007)	–
Investments in subsidiaries	5,412,168	3,099	–	(5,415,267)	–
Income tax recoverable	9,441	–	55,138	–	64,579
Property, plant and equipment	57,939	3,043,239	142,104	(353)	3,242,929
Intangibles	4,190	1,911	–	–	6,101
Goodwill	–	310,552	–	–	310,552
Total assets	\$ 6,001,797	\$ 5,922,821	\$ 333,269	\$ (7,957,624)	\$ 4,300,263
Liabilities and Shareholders' Equity					
Current liabilities	\$ 103,383	\$ 264,788	\$ 29,910	\$ –	\$ 398,081
Intercompany payables and debt	2,200,650	185,855	155,502	(2,542,007)	–
Long-term debt	1,218,796	–	–	–	1,218,796
Other long-term liabilities	245,377	273,547	(6,838)	–	512,086
Total liabilities	3,768,206	724,190	178,574	(2,542,007)	2,128,963
Shareholders' equity	2,233,591	5,198,631	154,695	(5,415,617)	2,171,300
Total liabilities and shareholders' equity	\$ 6,001,797	\$ 5,922,821	\$ 333,269	\$ (7,957,624)	\$ 4,300,263

Condensed consolidating statement of financial position as at December 31, 2011

	Parent	Guarantor subsidiaries	Non-Guarantor subsidiaries	Consolidating adjustments	Total
Assets					
Cash	\$ 440,760	\$ 5,815	\$ 20,901	\$ –	\$ 467,476
Other current assets	7,974	557,142	19,171	(881)	583,406
Intercompany receivables	341,327	1,972,678	66,354	(2,380,359)	–
Investments in subsidiaries	4,961,327	68	–	(4,961,395)	–
Income tax recoverable	9,441	–	55,138	–	64,579
Property, plant and equipment	54,263	2,850,502	45,335	(7,804)	2,942,296
Intangibles	3,070	3,401	–	–	6,471
Goodwill	–	363,646	–	–	363,646
Total assets	\$ 5,818,162	\$ 5,753,252	\$ 206,899	\$ (7,350,439)	\$ 4,427,874
Liabilities and Shareholders' Equity					
Current liabilities	\$ 56,049	\$ 376,328	\$ 8,960	\$ (884)	\$ 440,453
Intercompany payables and debt	2,082,700	176,221	121,438	(2,380,359)	–
Long-term debt	1,239,616	–	–	–	1,239,616
Other long-term liabilities	285,289	330,352	(427)	–	615,214
Total liabilities	3,663,654	882,901	129,971	(2,381,243)	2,295,283
Shareholders' equity	2,154,508	4,870,351	76,928	(4,969,196)	2,132,591
Total liabilities and shareholders' equity	\$ 5,818,162	\$ 5,753,252	\$ 206,899	\$ (7,350,439)	\$ 4,427,874

Condensed consolidating statement of earnings for the year ended December 31, 2012

	Parent	Guarantor subsidiaries	Non-Guarantor subsidiaries	Consolidating adjustments	Total
Revenue	\$ 151	\$ 1,986,590	\$ 64,779	\$ (10,779)	\$ 2,040,741
Operating expense	82	1,173,157	80,841	(10,779)	1,243,301
General and administrative expense	27,246	94,014	5,388	–	126,648
Earnings (loss) before income taxes, finance charges, foreign exchange, impairment of goodwill, loss on asset decommissioning and depreciation and amortization	(27,177)	719,419	(21,450)	–	670,792
Depreciation and amortization	3,405	303,693	7,922	(7,495)	307,525
Loss on asset decommissioning	–	192,469	–	–	192,469
Operating earnings (loss)	(30,582)	223,257	(29,372)	7,495	170,798
Impairment of goodwill	–	52,539	–	–	52,539
Foreign exchange	4,252	(189)	(310)	–	3,753
Finance charges	86,780	48	1	–	86,829
Equity in earnings of subsidiaries	(196,489)	–	–	196,489	–
Earnings (loss) before tax	74,875	170,859	(29,063)	(188,994)	27,677
Income taxes	30,011	(49,342)	(5,352)	–	(24,683)
Net earnings (loss)	\$ 44,864	\$ 220,201	\$ (23,711)	\$ (188,994)	\$ 52,360

Condensed consolidating statement of earnings for the year ended December 31, 2011

	Parent	Guarantor subsidiaries	Non-Guarantor subsidiaries	Consolidating adjustments	Total
Revenue	\$ 200	\$ 1,930,451	\$ 28,131	\$ (7,755)	\$ 1,951,027
Operating expense	316	1,110,428	27,984	(7,706)	1,131,022
General and administrative expense	30,596	88,914	5,480	(49)	124,941
Earnings (loss) before income taxes, finance charges, foreign exchange, impairment of goodwill, loss on asset decommissioning and depreciation and amortization	(30,712)	731,109	(5,333)	–	695,064
Depreciation and amortization	5,246	241,200	(1,031)	6,068	251,483
Loss on asset decommissioning	–	114,893	–	–	114,893
Operating earnings (loss)	(35,958)	375,016	(4,302)	(6,068)	328,688
Foreign exchange	(23,628)	(26)	(20)	–	(23,674)
Finance charges	111,518	64	(4)	–	111,578
Equity in earnings of subsidiaries	(402,481)	–	–	402,481	–
Earnings (loss) before tax	278,633	374,978	(4,278)	(408,549)	240,784
Income taxes	79,089	(32,193)	411	–	47,307
Net earnings (loss)	\$ 199,544	\$ 407,171	\$ (4,689)	\$ (408,549)	\$ 193,477

Condensed consolidating statement of comprehensive income for the year ended December 31, 2012

	Parent	Guarantor subsidiaries	Non-Guarantor subsidiaries	Consolidating adjustments	Total
Net earnings	\$ 44,864	\$ 220,201	\$ (23,711)	\$ (188,994)	\$ 52,360
Other comprehensive income (loss)	23,205	(30,899)	(1,934)	(45)	(9,673)
Comprehensive income (loss)	\$ 68,069	\$ 189,302	\$ (25,645)	\$ (189,039)	\$ 42,687

Condensed consolidating statement of comprehensive income for the year ended December 31, 2011

	Parent	Guarantor subsidiaries	Non-Guarantor subsidiaries	Consolidating adjustments	Total
Net earnings	\$ 199,544	\$ 407,171	\$ (4,689)	\$ (408,549)	\$ 193,477
Other comprehensive income (loss)	(37,692)	34,006	(987)	31	(4,642)
Comprehensive income (loss)	\$ 161,852	\$ 441,177	\$ (5,676)	\$ (408,518)	\$ 188,835

Condensed consolidating statement of cash flow for the year ended December 31, 2012

	Parent	Guarantor subsidiaries	Non-Guarantor subsidiaries	Consolidating adjustments	Total
Cash provided by (used in):					
Operations	\$ (135,797)	\$ 775,145	\$ (65,654)	\$ 61,592	\$ 635,286
Investments	(171,158)	(806,436)	(43,971)	91,444	(930,121)
Financing	(14,899)	41,996	111,040	(153,036)	(14,899)
Effects of exchange rate changes on cash and cash equivalents	(4,197)	(811)	34	–	(4,974)
Increase (decrease) in cash and cash equivalents	(326,051)	9,894	1,449	–	(314,708)
Cash and cash equivalents, beginning of year	440,760	5,815	20,901	–	467,476
Cash and cash equivalents, end of year	\$ 114,709	\$ 15,709	\$ 22,350	\$ –	\$ 152,768

Condensed consolidating statement of cash flow for the year ended December 31, 2011

	Parent	Guarantor subsidiaries	Non-Guarantor subsidiaries	Consolidating adjustments	Total
Cash provided by (used in):					
Operations	\$ (52,058)	\$ 586,869	\$ (38,829)	\$ 36,790	\$ 532,772
Investments	(126,861)	(598,680)	(8,281)	18,360	(715,462)
Financing	366,887	(5,006)	60,156	(55,150)	366,887
Effects of exchange rate changes on cash and cash equivalents	23,586	2,651	211	–	26,448
Increase (decrease) in cash and cash equivalents	211,554	(14,166)	13,257	–	210,645
Cash and cash equivalents, beginning of year	229,206	19,981	7,644	–	256,831
Cash and cash equivalents, end of year	\$ 440,760	\$ 5,815	\$ 20,901	\$ –	\$ 467,476

NOTE 11. INCOME TAXES

The provision for income taxes differs from that which would be expected by applying statutory Canadian income tax rates. A reconciliation of the difference at December 31 is as follows:

	2012	2011
Earnings before income taxes	\$ 27,677	\$ 240,784
Federal and provincial statutory rates	25%	27%
Tax at statutory rates	\$ 6,919	\$ 65,012
Adjusted for the effect of:		
Non-deductible expenses	15,975	7,857
Non-taxable capital gains	(546)	(1,245)
Income taxed at lower rates	(30,191)	(32,260)
Impact of foreign tax rates	(26,559)	(7,026)
Withholding taxes	4,009	3,664
Taxes related to prior years	1,053	10,986
Other	4,657	319
Income tax expense (recovery)	\$ (24,683)	\$ 47,307

In 2011, taxes related to prior years of \$11.0 million includes the Canada Revenue Agency and provincial income tax settlement of prior years income taxes totaling \$34.8 million offset by a reduction in prior period unrecognized tax benefits (including interest and penalties) of \$23.8 million.

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

	2012	2011
Deferred income tax liability:		
Property, plant and equipment and intangibles	\$ 686,833	\$ 735,815
Partnership deferrals	60,906	91,319
Debt issue costs	1,561	-
Other	4,260	5,704
	753,560	832,838
Deferred income tax assets:		
Losses (expire from time to time up to 2032)	244,888	221,982
Debt issue costs	-	2,568
Long-term incentive plan	13,917	13,026
Other	9,163	7,472
Net deferred income tax liability	\$ 485,592	\$ 587,790

Included in the net deferred tax liability is \$242.6 million (2011 – \$ 324.9 million) of tax effected temporary differences related to the Corporations' United States operations.

The movement in temporary differences is as follows:

	Property, plant and equipment and intangibles	Partnership deferrals	Other deferred income tax liabilities	Losses	Debt issue costs	Long-term incentive plan	Other deferred income tax assets	Net deferred income tax liability
Balance December 31, 2010	\$ 676,803	\$ 55,819	\$ 2,094	\$ (136,056)	\$ (6,802)	\$ (8,846)	\$ (4,773)	\$ 578,239
Recognized in net earnings	45,686	35,500	5,712	(80,896)	4,234	(4,011)	(2,697)	3,528
Recognized in other comprehensive income	–	–	(2,148)	–	–	–	–	(2,148)
Acquired in business acquisitions (Note 19)	844	–	–	–	–	–	–	844
Effect of foreign currency exchange differences	12,482	–	46	(5,030)	–	(169)	(2)	7,327
Balance December 31, 2011	735,815	91,319	5,704	(221,982)	(2,568)	(13,026)	(7,472)	587,790
Recognized in net earnings	(37,034)	(30,413)	(1,413)	(27,784)	4,129	(1,058)	(1,686)	(95,259)
Recognized in other comprehensive income	–	–	–	–	–	–	–	–
Effect of foreign currency exchange differences	(11,948)	–	(31)	4,878	–	167	(5)	(6,939)
Balance December 31, 2012	\$ 686,833	\$ 60,906	\$ 4,260	\$(244,888)	\$ 1,561	\$ (13,917)	\$ (9,163)	\$ 485,592

On December 31, 2012 Precision had \$34.4 million (2011 – \$34.3 million) of unrecognized tax benefits that, if recognized, would have a favourable impact on Precision's effective income tax rate in future periods. Precision classifies interest accrued on unrecognized tax benefits and income tax penalties as income tax expense. Included in the unrecognized tax benefit as at December 31, 2012 is interest and penalties of \$9.2 million (2011 – \$8.6 million).

Reconciliation of unrecognized tax benefits

Year ended December 31,	2012	2011
Unrecognized tax benefits, beginning of year	\$ 34,300	\$ 54,825
Additions:		
Prior year's tax positions	2,033	2,133
Reductions:		
Prior year's tax positions	(1,976)	(22,658)
Unrecognized tax benefits, end of year	\$ 34,357	\$ 34,300

It is anticipated that approximately \$0.6 million (2011 – \$1.2 million) of an unrecognized tax position that relates to prior year activities will be realized during the next 12 months. Subject to the results of audit examinations by taxing authorities and/or legislative changes by taxing jurisdictions, Precision does not anticipate further adjustments of unrecognized tax positions during the next 12 months that would have a material impact on the financial statements of Precision.

NOTE 12. SHAREHOLDERS' CAPITAL

- (a) **Authorized** – unlimited number of voting common shares
– unlimited number of preferred shares, issuable in series, limited to an amount equal to one half of the issued and outstanding common shares

(b) **Issued**

Common shares	Number	Amount
Balance, December 31, 2010	275,686,676	\$ 2,244,417
Options exercised – cash consideration	347,925	2,238
– reclassification from contributed surplus	–	1,178
Issued on redemption of non-management directors DSUs	47,196	384
Balance, December 31, 2011	276,081,797	\$ 2,248,217
Options exercised – cash consideration	309,954	1,926
– reclassification from contributed surplus	–	1,124
Issued on redemption of non-management directors DSUs	83,179	706
Issued on waiver of right to dissent by dissenting unitholder	840	9
Balance, December 31, 2012	276,475,770	\$ 2,251,982

(c) **Warrants**

On April 22, 2009 the Corporation issued 15,000,000 purchase warrants pursuant to a private placement. Each warrant is exercisable into common shares of the Corporation at a price of \$3.22 per share for a period of five years from the date of issue. No warrants have been exercised as at December 31, 2012.

(d) **Dividends**

During 2012 the Corporation approved and paid a dividend of \$0.05 per common share (2011 – nil) for a total payment of \$14 million (2011 – nil). On February 14, 2013 the Board of Directors declared a dividend of \$0.05 per common share payable on March 15, 2013 to shareholders of record on February 28, 2013.

NOTE 13. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Unrealized foreign currency translation gains (losses)	Foreign exchange gain (loss) on net investment hedge	Accumulated other comprehensive loss
Balance, December 31, 2010	\$ (61,037)	\$ 14,817	\$ (46,220)
Other comprehensive loss	33,050	(37,692)	(4,642)
Balance, December 31, 2011	(27,987)	(22,875)	(50,862)
Other comprehensive loss	(32,878)	23,205	(9,673)
Balance, December 31, 2012	\$ (60,865)	\$ 330	\$ (60,535)

NOTE 14. FINANCE CHARGES

	2012	2011
Interest:		
Long-term debt	\$ 85,113	\$ 69,959
Tax settlement and reassessment	–	15,372
Other	138	164
Income	(1,933)	(1,683)
Amortization of debt issue costs	4,120	3,444
Loss on settlement of debt facilities	–	26,942
Debt amendment fees	149	1,134
Other	(758)	(3,754)
Finance charges	\$ 86,829	\$ 111,578

NOTE 15. EMPLOYEE BENEFIT PLANS

The Corporation has a defined contribution pension plan covering a significant number of its employees. Under this plan, the Corporation matches individual contributions up to 5% of the employee's eligible compensation. Total expense under the defined contribution plan in 2012 was \$11.1 million (2011 – \$8.6 million).

NOTE 16. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of key management personnel is as follows:

	2012	2011
Salaries and other benefits	\$ 6,988	\$ 6,065
Equity settled share based compensation	3,257	3,297
Cash settled share based compensation	4,872	7,106
	\$ 15,117	\$ 16,468

Key management personnel are comprised of the directors and executive officers of the Corporation. Certain executive officers have entered into employment agreements with Precision which provide termination benefits of up to 24 months base salary plus up to two times targeted incentive compensation upon dismissal without cause.

NOTE 17. COMMITMENTS

(a) Operating lease commitments

The Corporation has commitments under various operating lease agreements, primarily for vehicles and office space. Terms of the office leases run for a period of one to ten years while the vehicle lease are typically for terms of between three and four years. Expected non-cancellable operating lease payments are as follows:

	2012	2011
Less than one year	\$ 15,561	\$ 12,874
Between one and five years	41,898	39,555
Later than five years	23,161	28,528
	\$ 80,620	\$ 80,957

One of the leased properties was sublet by the Corporation.

The following amounts were recognized as expenses in respect of operating leases in the consolidated statement of earnings:

	2012	2011
Operating leases	\$ 19,075	\$ 13,789
Sub-lease recoveries	(583)	(814)
	\$ 18,492	\$ 12,975

(b) Capital commitments

At December 31, 2012 the Corporation has commitments to purchase property, plant and equipment totaling \$157.5 million (2011 – \$195.0 million). Payments of \$121.0 million and \$36.5 million for these commitments are expected to be made in 2013 and 2014, respectively.

NOTE 18. PER SHARE AMOUNTS

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

	2012	2011
Net earnings – basic and diluted	\$ 52,360	\$ 193,477
<i>(Stated in thousands)</i>		
Weighted average shares outstanding – basic	276,276	275,899
Effect of share warrants	9,418	11,106
Effect of stock options and other equity compensation plans	933	1,711
Weighted average shares outstanding – diluted	286,627	288,716

NOTE 19. BUSINESS ACQUISITIONS

On March 29, 2011 Precision acquired all the issued and outstanding shares of Drake Directional Drilling, LLC and Drake MWD Service, LLC (collectively “Drake”). These companies provide directional drilling services in Texas, Louisiana, Oklahoma and Colorado and have been included in the Contract Drilling Services segment.

On September 9, 2011 Precision acquired all the issued and outstanding shares of Axis Energy Services Holdings Inc. (“Axis”). Axis provides directional drilling and MWD (measurement while drilling) services, primarily in Western Canada and has been included in the Contract Drilling Services segment.

In conjunction with the Axis acquisition, the purchase price was adjusted to the extent that earnings before finance charges, foreign exchange, income taxes and depreciation and amortization during the period from acquisition to December 31, 2011 and working capital at December 31, 2011 for the acquired entities is above or below a predetermined amount. As at the date of the acquisition, Precision estimated the amount of this additional consideration to be \$20.4 million and recorded the contingent consideration in accounts payable and accrued liabilities. As at December 31, 2011 Precision reduced the estimated contingent liability to \$18.1 million and recognized a \$3.8 million recovery in the statement of earnings and a \$1.5 million increase to goodwill as a result of working capital adjustments. In 2012 the contingent liability was settled, resulting in a \$758 thousand recovery in the statement of earnings and a \$25 thousand increase to goodwill.

The details of the acquisitions are as follows:

	Drake	Axis	Total
Net assets at assigned values:			
Working capital	\$ 3,292 ⁽¹⁾	\$ 6,363 ⁽²⁾	\$ 9,655
Property, plant and equipment	5,513	20,142	25,655
Intangible assets	1,460	2,759	4,219
Goodwill (not deductible)	25,521	52,514	78,035
Deferred income taxes	–	(844)	(844)
	\$ 35,786	\$ 80,934	\$ 116,720
Consideration:			
Cash	\$ 35,786	\$ 59,034	\$ 94,820
Contingent consideration	–	21,900	21,900
	\$ 35,786	\$ 80,934	\$ 116,720

(1) Working capital includes cash of \$2,609

(2) Working capital includes bank overdraft of \$675

NOTE 20. SEGMENTED INFORMATION

The Corporation operates primarily in Canada and the United States, in two industry segments; Contract Drilling Services and Completion and Production Services. Contract Drilling Services includes drilling rigs, directional drilling, procurement and distribution of oilfield supplies, and manufacture, sale and repair of drilling equipment. Completion and Production Services includes service rigs, snubbing units, oilfield equipment rental, camp and catering services, and wastewater treatment units.

2012	Contract Drilling Services	Completion and Production Services	Corporate and Other	Inter-segment Eliminations	Total
Revenue	\$ 1,725,240	\$ 326,079	\$ –	\$ (10,578)	\$ 2,040,741
Operating earnings	184,819	62,796	(76,817)	–	170,798
Depreciation and amortization	271,993	30,758	4,774	–	307,525
Loss on asset decommissioning	192,469	–	–	–	192,469
Total assets	3,495,604	551,893	252,766	–	4,300,263
Goodwill	198,413	112,139	–	–	310,552
Capital expenditures*	750,763	109,202	8,092	–	868,057

2011	Contract Drilling Services	Completion and Production Services	Corporate and Other	Inter-segment Eliminations	Total
Revenue	\$ 1,632,037	\$ 330,225	\$ –	\$ (11,235)	\$ 1,951,027
Operating earnings	332,829	77,127	(81,268)	–	328,688
Depreciation and amortization	219,194	25,598	6,691	–	251,483
Loss on asset decommissioning	113,366	1,527	–	–	114,893
Total assets	3,380,843	473,811	573,220	–	4,427,874
Goodwill	251,507	112,139	–	–	363,646
Capital expenditures*	637,060	76,922	12,375	–	726,357

* Excludes business acquisitions

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

2012	Canada	United States	International	Inter-segment Eliminations	Total
Revenue	\$ 1,053,966	\$ 936,113	\$ 64,017	\$ (13,355)	\$ 2,040,741
Total assets	2,119,891	1,913,810	266,562	–	4,300,263

2011	Canada	United States	International	Inter-segment Eliminations	Total
Revenue	\$ 1,071,526	\$ 866,776	\$ 22,994	\$ (10,269)	\$ 1,951,027
Total assets	2,252,084	2,027,676	148,114	–	4,427,874

During the year ended December 31, 2012, revenues from one customer of the Corporation's Contract Drilling Services and Completion and Production Services segments accounted for \$222.7 million (2011 – \$158.4 million) of the Corporation's total revenue.

NOTE 21. FINANCIAL INSTRUMENTS

Financial Risk Management

The Board of Directors is responsible for identifying the principal risks of Precision's business and for ensuring the implementation of systems to manage these risks. With the assistance of senior management, who report to the Board of Directors on the risks of Precision's business, the Board of Directors considers such risks and discusses the management of such risks on a regular basis.

Precision has exposure to the following risks from its use of financial instruments:

(a) Credit risk

Accounts receivable includes balances from a large number of customers primarily operating in the oil and gas industry. The Corporation manages credit risk by assessing the creditworthiness of its customers before providing services and on an ongoing basis as well as monitoring the amount and age of balances outstanding. In some instances the Corporation will take additional measures to reduce credit risk including obtaining letters of credit and prepayments from customers. When indicators of credit problems appear the Corporation takes appropriate steps to reduce its exposure including negotiating with the customer, filing liens and entering into litigation. The Corporation views the credit risks on these amounts as normal for the industry. Precision's most significant customer accounted for \$23.0 million of the trade receivables amount at December 31, 2012 (2011 – \$43.8 million).

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

	2012		2011	
Balance at January 1	\$	12,179	\$	12,848
Impairment loss recognized		348		915
Amounts written off as uncollectible		(174)		(418)
Impairment loss reversed		–		(1,328)
Effect of movement in exchange rates		(166)		162
Balance at December 31	\$	12,187	\$	12,179

The ageing of trade receivables at December 31 was:

	2012		2011	
	Gross	Provision for impairment	Gross	Provision for impairment
Not past due	\$ 197,194	\$ –	\$ 235,461	\$ –
Past due 0-30 days	100,217	–	97,200	–
Past due 31-120 days	27,861	–	35,866	305
Past due more than 120 days	15,016	12,187	11,874	11,874
	\$ 340,288	\$ 12,187	\$ 380,401	\$ 12,179

(b) Interest rate risk

As at December 31, 2012 and 2011, all of Precision's long-term debt bears fixed interest rates. As a result Precision is not exposed to significant fluctuations in interest expense as a result of changes in interest rates based on the debt outstanding at the end of the year.

(c) Foreign currency risk

The Corporation is exposed to foreign currency fluctuations in relation to the working capital and long-term debt of its' United States operations and certain long-term debt facilities of its' Canadian operations. The Corporation has no significant exposures to foreign currencies other than the U.S. dollar. The Corporation monitors its foreign currency exposure and attempts to minimize the impact by aligning appropriate levels of U.S. denominated debt with cash flows from U.S. based operations.

The following financial instruments were denominated in U.S. dollars:

	2012		2011	
	Canadian Operations ⁽¹⁾	U.S. Operations	Canadian Operations ⁽¹⁾	U.S. Operations
Cash	\$ 39,693	\$ 61,515	\$ 297,553	\$ 37,385
Accounts receivable	56	237,370	50	224,275
Accounts payable and accrued liabilities	(13,028)	(184,593)	(16,969)	(205,143)
Long-term liabilities, excluding long-term incentive plans	–	(17,909)	–	(15,851)
Net foreign currency exposure	\$ 26,721	\$ 96,383	\$ 280,634	\$ 40,666
Impact of \$0.01 change in the U.S. dollar to Canadian dollar exchange rate on net earnings	\$ 267	\$ –	\$ 2,806	\$ –
Impact of \$0.01 change in the U.S. dollar to Canadian dollar exchange rate on comprehensive income	\$ –	\$ 964	\$ –	\$ 407

(1) excludes US\$1,050 million of long-term debt that has been designated as a hedge of the Corporation's net investment in certain self-sustaining foreign operations.

(d) Liquidity risk

Liquidity risk is the exposure of the Corporation to the risk of not being able to meet its financial obligations as they become due. The Corporation manages liquidity risk by monitoring and reviewing actual and forecasted cash flows to ensure there are available cash resources to meet these needs. The following are the contractual maturities of the Corporation's financial liabilities as at December 31, 2012:

(Stated in thousands)	2013	2014	2015	2016	2017	Thereafter	Total
Long-term debt	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 1,244,645	\$ 1,244,645
Interest on long-term debt ⁽¹⁾	81,710	81,710	81,710	81,710	81,710	241,275	649,825
Commitments	136,596	50,356	11,476	8,980	7,529	23,161	238,098
Total	\$ 218,306	\$ 132,066	\$ 93,186	\$ 90,690	\$ 89,239	\$ 1,509,081	\$ 2,132,568

(1) interest has been calculated based upon debt balances, interest rates and foreign exchange rates in effect as at December 31, 2012 and excludes amortization of long-term debt issue costs.

Fair values

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 the unsecured senior notes at December 31, 2012 was approximately \$1,330 million (2011 – \$1,290 million).

Financial assets and liabilities recorded or disclosed at fair value in the consolidated balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels are based on the amount of subjectivity associated with the inputs in the fair determination and are as follows:

Level I—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II—Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level III—Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The estimated fair value of unsecured senior notes is based on level II inputs. The fair value is estimated considering the risk free interest rates on government debt instruments of similar maturities, adjusted for estimated credit risk, industry risk and market risk premiums.

NOTE 22. CAPITAL MANAGEMENT

The Corporation's strategy is to carry a capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Corporation seeks to maintain a balance between the level of long-term debt and shareholders' equity to ensure access to capital markets to fund growth and working capital given the cyclical nature of the oilfield services sector. The Corporation strives to maintain a conservative ratio of long-term debt to long-term debt plus equity. As at December 31, 2012 and 2011 these ratios were as follows:

	2012	2011
Long-term debt	\$ 1,218,796	\$ 1,239,616
Shareholders' equity	2,171,300	2,132,591
Total capitalization	\$ 3,390,096	\$ 3,372,207
Long-term debt to long-term debt plus equity ratio	0.36	0.37

During 2011, Precision pursued market opportunities to put long-term debt financing in place. The Company issued US\$400 million aggregate principal amount of 6.5% senior unsecured notes due 2021 and \$200 million aggregate principal amount of 6.5% senior unsecured notes due 2019 in private placements and retired the \$175 million 10% senior unsecured notes.

As at December 31, 2012 liquidity remains sufficient as Precision has \$152.8 million (2011 – \$467.5 million) in cash and access to a US\$850 million senior secured revolving credit facility (2011 – US\$550 million) and \$79.8 million (2011 – \$40.3 million) secured operating facilities. The US\$850 million Secured Revolver remains undrawn except for US\$26.8 million (2011 – US\$22.6 million) in outstanding letters of credit. Availability of the \$25 million secured operating facility was reduced by \$18.9 million (2011 – \$0.5 million) of outstanding letters of credit and there was no amount drawn on the US\$15 million secured operating facility. There were no letters of credit issued under the US\$25 million secured letter of credit facility.

NOTE 23. SUPPLEMENTAL INFORMATION

Components of change in non-cash working capital balances:

	2012	2011
Accounts receivable	\$ 61,052	\$ (137,620)
Inventory	(6,707)	(1,712)
Accounts payable and accrued liabilities	(111,333)	166,768
	\$ (56,988)	\$ 27,436
Pertaining to:		
Operations	\$ 36,474	\$ (59,616)
Investments	\$ (93,462)	\$ 87,798
Financing	\$ –	\$ (746)

The components of accounts receivable are as follows:

	2012	2011
Trade	\$ 328,101	\$ 368,222
Accrued trade	125,035	161,581
Prepays and other	56,411	46,440
	\$ 509,547	\$ 576,243

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

	2012	2011
Accounts payable	\$ 146,234	\$ 255,194
Accrued liabilities:		
Payroll	79,978	85,613
Other	107,681	95,860
	\$ 333,893	\$ 436,667

Precision presents expenses in the consolidated statement of earnings by function with the exception of depreciation and amortization and loss on asset decommissioning which are presented by nature. Operating expense and general and administrative expense would include \$495.2 million and \$4.8 million (2011 – \$359.7 million and \$6.7 million) respectively of depreciation and amortization and loss on asset decommissioning if the statements of earnings were presented purely by function. The following table presents operating and general and administrative expenses by nature:

	2012	2011
Wages, salaries and benefits	\$ 795,243	\$ 736,365
Purchased materials, supplies and services	556,103	484,813
Share-based compensation	18,603	34,785
	\$ 1,369,949	\$ 1,255,963
Allocated to:		
Operating expense	\$ 1,243,301	\$ 1,131,022
General and administrative	126,648	124,941
	\$ 1,369,949	\$ 1,255,963

NOTE 24. CONTINGENCIES AND GUARANTEES

The business and operations of the Corporation are complex and the Corporation has executed a number of significant financings, business combinations, acquisitions and dispositions over the course of its history. The computation of income taxes payable as a result of these transactions involves many complex factors as well as the Corporation's interpretation of relevant tax legislation and regulations. The Corporation's management believes that the provision for income tax is adequate and in accordance with IFRS and applicable legislation and regulations. However, there are tax filing positions that have been and can still be the subject of review by taxation authorities who may successfully challenge the Corporation's interpretation of the applicable tax legislation and regulations, with the result that additional taxes could be payable by the Corporation and the amount owed, with estimated interest but without penalties, could be up to \$58 million. This amount is included in the estimated amount pertaining to the long-term income tax recoverable on the balance sheet of \$65 million.

The Corporation, through the performance of its services, product sales and business arrangements, is sometimes named as a defendant in litigation. The outcome of such claims against the Corporation is not determinable at this time; however, their ultimate resolution is not expected to have a material adverse effect on the Corporation.

The Corporation has entered into agreements indemnifying certain parties primarily with respect to tax and specific third party claims associated with businesses sold by the Corporation. Due to the nature of the indemnifications, the maximum exposure under these agreements cannot be estimated. No amounts have been recorded for the indemnities as the Corporation's obligations under them are not probable or estimable.

NOTE 25. SUBSIDIARIES

Significant subsidiaries

	Country of incorporation	Ownership interest	
		2012	2011
Precision Limited Partnership	Canada	100	100
Precision Drilling Canada Limited Partnership	Canada	100	100
Precision Diversified Oilfield Services Corp.	Canada	100	100
Precision Directional Services Ltd.	Canada	100	100
Precision Drilling (US) Corporation	United States	100	100
Precision Drilling Company LP	United States	100	100
Precision Completion & Production Services Ltd.	United States	100	100
Precision Directional Services, Inc.	United States	100	100
Grey Wolf Drilling Limited	Cyprus	100	100

Consolidated Statements of Earnings

Years ended December 31, (Stated in millions of Canadian dollars, except per unit/share amounts)	2012	2011	2010	2009	2008
	IFRS			Previous CGAAP	
Revenue	\$ 2,040.7	\$ 1,951.0	\$ 1,429.7	\$ 1,197.4	\$ 1,101.9
Expenses:					
Operating	1,243.3	1,131.0	886.8	692.2	598.2
General and administrative	126.6	124.9	108.0	98.2	67.2
Earnings before income taxes, finance charges, foreign exchange, impairment of goodwill, loss on asset decommissioning, and depreciation and amortization (Adjusted EBITDA)	670.8	695.1	434.9	407.0	436.5
Depreciation and amortization	307.5	251.5	210.1	138.0	83.8
Loss on decommissioning	192.5	114.9	–	82.1	–
Operating earnings	170.8	328.7	224.8	186.9	352.7
Impairment of goodwill	52.5	–	–	–	–
Foreign exchange	3.8	(23.7)	(12.7)	(122.8)	(2.0)
Finance charges	86.8	111.6	211.3	147.4	14.1
Earnings before income taxes	27.7	240.8	26.2	162.3	340.6
Income taxes	(24.7)	47.3	(17.3)	0.6	37.9
Net earnings	52.4	193.5	43.5	161.7	302.7
Earnings per unit/share:					
Basic	\$ 0.19	\$ 0.70	\$ 0.16	\$ 0.65	\$ 2.23
Diluted	\$ 0.18	\$ 0.67	\$ 0.15	\$ 0.63	\$ 2.23

Additional Selected Financial Information

Years ended December 31, (Stated in millions of Canadian dollars, except per unit/share amounts)	2012	2011	2010	2009	2008
	IFRS			Previous CGAAP	
Return on sales – % ⁽¹⁾	2.6	9.9	3.0	13.5	27.5
Return on assets – % ⁽²⁾	1.2	4.9	1.3	3.6	12.4
Return on equity – % ⁽³⁾	2.4	9.5	2.2	6.2	19.6
Working capital	\$ 278.0	\$ 610.4	\$ 458.0	\$ 320.9	\$ 345.3
Current ratio	1.7	2.4	3.1	3.5	2.0
PP&E and intangibles	\$ 3,249.0	\$ 2,948.8	\$ 2,538.8	\$ 2,917.1	\$ 3,248.9
Total assets	\$ 4,300.3	\$ 4,427.9	\$ 3,564.5	\$ 4,191.7	\$ 4,833.7
Long-term debt	\$ 1,218.8	\$ 1,239.6	\$ 804.5	\$ 748.7	\$ 1,368.3
Shareholders' equity	\$ 2,171.3	\$ 2,132.6	\$ 1,932.8	\$ 2,584.5	\$ 2,323.9
Long-term debt to long-term debt plus equity	0.36	0.37	0.29	0.22	0.37
Interest coverage ⁽⁴⁾	2.0	2.9	1.1	1.3	24.9
Net capital expenditures excluding business acquisitions	\$ 836.6	\$ 710.4	\$ 163.6	\$ 177.5	\$ 219.1
Adjusted EBITDA	\$ 670.8	\$ 695.1	\$ 434.9	\$ 407.0	\$ 436.5
Adjusted EBITDA – % of revenue	32.9	35.6	30.4	34.0	39.6
Operating earnings	\$ 170.8	\$ 328.7	\$ 224.8	\$ 186.9	\$ 352.7
Operating earnings – % of revenue	8.4	16.8	15.7	15.6	32.0
Cash flow from continuing operations	\$ 635.3	\$ 532.8	\$ 306.3	\$ 504.7	\$ 343.9
Cash flow from continuing operations per unit/share:					
Basic	\$ 2.30	\$ 1.93	\$ 1.11	\$ 2.02	\$ 2.54
Diluted	\$ 2.22	\$ 1.85	\$ 1.07	\$ 1.94	\$ 2.53
Book value per unit/share ⁽⁵⁾	\$ 7.85	\$ 7.72	\$ 7.01	\$ 9.38	\$ 14.51
Price earnings ratio ⁽⁶⁾	43.26	15.00	41.74	11.77	4.21
Basic weighted average units/shares outstanding (000's)	276,276	275,899	275,655	249,925	135,568

(1) Return on sales was calculated by dividing earnings from continuing operations by total revenues.

(2) Return on assets was calculated by dividing net earnings by quarter average total assets.

(3) Return on equity was calculated by dividing net earnings by quarter average total shareholders' equity.

(4) Interest coverage was calculated by dividing operating earnings by finance charges.

(5) Book value per unit/share was calculated by dividing shareholders' equity by shares outstanding.

(6) Year end closing price divided by basic earnings per unit/share.

Shareholder Information

STOCK EXCHANGE LISTINGS

Our shares are listed on the Toronto Stock Exchange under the trading symbol PD and on the New York Stock Exchange under the trading symbol PDS.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Calgary, Alberta

TRANSFER POINT

Computershare Trust Company NA
Denver, Colorado

2012 TRADING PROFILE

Toronto (TSX: PD)

High: \$12.72
Low: \$5.97
Close: \$8.22
Volume Traded: 338,041,496

New York (NYSE: PDS)

High: US\$12.89
Low: US\$5.82
Close: US\$8.28
Volume Traded: 454,653,537

ACCOUNT QUESTIONS

Our transfer agent can help you with shareholder related services, including:

- change of address
- lost share certificates
- transferring shares to another person
- estate settlement.

Contact them at:
Computershare Trust Company of Canada

100 University Avenue,
9th Floor, North Tower
Toronto, Ontario, Canada
M5J 2Y1

Telephone: 1-800-564-6253
(toll free in Canada and the United States)

1-514-982-7555
(international direct dialing)

Email: service@computershare.com

ONLINE INFORMATION

To receive news releases by email, or to view this report online, please visit the Investor Relations section of our website at www.precisiondrilling.com.

You can find additional information about us, including our annual information form, 2012 annual report and management information circular, under our profile on the SEDAR website at www.sedar.com and on the EDGAR website at www.sec.gov.

PUBLISHED INFORMATION

Please contact us if you would like additional copies of this annual report, or copies of our 2012 annual information as filed with the Canadian securities commissions and under Form 40-F with the United States Securities and Exchange Commission:

Investor Relations
Suite 800, 525 – 8th Avenue SW
Calgary, Alberta, Canada
T2P 1G1
Telephone: 403.716.4500

Corporate Information

DIRECTORS

William T. Donovan
Brian J. Gibson
Robert J. S. Gibson
Allen R. Hagerman, FCA
Stephen J. J. Letwin
Kevin O. Meyers
Patrick M. Murray
Kevin A. Neveu
Robert L. Phillips

OFFICERS

Kevin A. Neveu
*President and
Chief Executive Officer*

Joanne L. Alexander
*Senior Vice President, General
Counsel and Corporate Secretary*

Niels Espeland
President, International Operations

Doug Evasiuk
*Senior Vice President,
Sales and Marketing*

Kenneth J. Haddad
*Senior Vice President,
Business Development*

Robert J. McNally
*Executive Vice President and
Chief Financial Officer*

Darren J. Ruhr
*Senior Vice President,
Corporate Services*

Gene C. Stahl
President, Drilling Operations

Douglas J. Strong
*President, Completion and
Production Services*

LEAD BANK

Royal Bank of Canada
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

HEAD OFFICE

Suite 800, 525 – 8th Avenue SW
Calgary, Alberta, Canada
T2P 1G1
Telephone: 403.716.4500
Email: info@precisiondrilling.com
www.precisiondrilling.com



Precision
DRILLING

Precision Drilling Corporation

Suite 800, 525 – 8th Avenue SW
Calgary, Alberta, Canada T2P 1G1
Telephone: 403.716.4500
Email: info@precisiondrilling.com
www.precisiondrilling.com