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PRECISION DRILLING CORP  
Form SUPPL  
May 25, 2004

Filed Pursuant to General  
Instruction II.L of Form F-10;  
File No. 333-115330

The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus is not an offer to sell these securities and is not an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 25, 2004.

PRELIMINARY PROSPECTUS SUPPLEMENT

-----  
(TO PROSPECTUS DATED MAY 17, 2004)

US\$300,000,000  
PRECISION DRILLING CORPORATION

% NOTES DUE 2014

(PRECISION DRILLING LOGO)

The notes will bear interest at the rate of \_\_\_\_\_% per year. We will pay interest on the notes on \_\_\_\_\_ and \_\_\_\_\_ of each year, beginning \_\_\_\_\_, 2004. The notes will mature on \_\_\_\_\_, 2014. We may redeem some or all of the notes, at any time, at the "make-whole" price described in this prospectus supplement. We may also redeem all of the notes, at any time, if certain changes affecting Canadian withholding taxes occur.

INVESTING IN THE SECURITIES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 6 OF THE ACCOMPANYING PROSPECTUS AND PAGE S-7 OF THIS PROSPECTUS SUPPLEMENT.

WE ARE PERMITTED TO PREPARE THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS IN ACCORDANCE WITH CANADIAN DISCLOSURE REQUIREMENTS, WHICH ARE DIFFERENT FROM THOSE OF THE UNITED STATES. WE PREPARE OUR FINANCIAL STATEMENTS IN ACCORDANCE WITH CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, AND THEY ARE SUBJECT TO CANADIAN AUDITING AND AUDITOR INDEPENDENCE STANDARDS. AS A RESULT, THEY MAY NOT BE COMPARABLE TO FINANCIAL STATEMENTS OF UNITED STATES COMPANIES.

OWNING THE SECURITIES MAY SUBJECT YOU TO TAX CONSEQUENCES BOTH IN THE UNITED STATES AND IN CANADA. THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS MAY NOT DESCRIBE THESE TAX CONSEQUENCES FULLY. YOU SHOULD READ THE TAX DISCUSSION CONTAINED IN THIS PROSPECTUS SUPPLEMENT.

YOUR ABILITY TO ENFORCE CIVIL LIABILITIES UNDER THE UNITED STATES FEDERAL SECURITIES LAWS MAY BE AFFECTED ADVERSELY BECAUSE WE ARE AMALGAMATED IN CANADA, MOST OF OUR OFFICERS AND DIRECTORS AND SOME OF THE EXPERTS NAMED IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS ARE CANADIAN RESIDENTS, AND MOST OF OUR ASSETS, THE ASSETS OF OUR DIRECTORS AND OFFICERS AND THE EXPERTS ARE LOCATED OUTSIDE THE UNITED STATES.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS IS TRUTHFUL OR

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COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

|  | PER NOTE | TOTAL |
|--|----------|-------|
|  | -----    | ----- |
| Public offering price.....                 | %        | US\$  |
| Underwriting commission.....               | %        | US\$  |
| Proceeds to Precision, before expenses.... | %        | US\$  |

The price of the notes will also include accrued interest, if any, from , 2004 to the date of delivery.

Delivery of the notes, in book entry form only, will be made on or about \_\_\_\_\_, 2004.

\_\_\_\_\_  
 BOOK-RUNNING MANAGER  
 UBS INVESTMENT BANK  
 \_\_\_\_\_

RBC CAPITAL MARKETS      HSBC      NBF SECURITIES (USA) CORP.      TD SECURITIES  
 CIBC WORLD MARKETS      LAZARD      RAYMOND JAMES  
 WELLS FARGO INSTITUTIONAL BROKERAGE AND SALES  
 \_\_\_\_\_

May \_\_\_\_\_, 2004

IMPORTANT NOTICE ABOUT INFORMATION IN  
 THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the notes we are offering and also adds to and updates certain information contained in the accompanying prospectus and the documents incorporated by reference. The second part, the accompanying base shelf prospectus dated May 17, 2004, gives more general information, some of which may not apply to the notes we are offering. The accompanying base shelf prospectus is referred to as the "prospectus" in this document.

IF THE DESCRIPTION OF THE NOTES VARIES BETWEEN THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS, YOU SHOULD RELY ON THE INFORMATION IN THIS PROSPECTUS SUPPLEMENT.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS. WE HAVE NOT, AND THE UNDERWRITERS HAVE NOT, AUTHORIZED ANY OTHER PERSON TO PROVIDE YOU WITH DIFFERENT INFORMATION. IF ANYONE PROVIDES YOU WITH DIFFERENT OR INCONSISTENT INFORMATION, YOU SHOULD NOT RELY ON IT. WE ARE NOT, AND THE UNDERWRITERS ARE NOT, MAKING AN OFFER TO SELL THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED. YOU SHOULD ASSUME THAT THE INFORMATION APPEARING IN THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS, AS WELL AS INFORMATION WE PREVIOUSLY FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION AND WITH THE SECURITIES COMMISSIONS IN EACH OF THE PROVINCES OF CANADA AND INCORPORATED BY REFERENCE, IS ACCURATE AS OF ITS RESPECTIVE DATE ONLY. OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY HAVE CHANGED SINCE THOSE DATES.

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In this prospectus supplement, all capitalized terms used and not otherwise defined herein have the meanings provided in the prospectus. In this prospectus supplement, the prospectus and any document incorporated by reference, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars, and all financial information is determined using generally accepted accounting principles which are in effect from time to time in Canada ("Canadian GAAP"). "U.S. GAAP" means generally accepted accounting principles which are in effect from time to time in the United States. For a discussion of the principal differences between our financial results as calculated under Canadian GAAP and under U.S. GAAP, you should refer to Note 15 of our audited consolidated financial statements for the year ended December 31, 2003, incorporated by reference in the prospectus as well as to the U.S. GAAP reconciliation for our unaudited comparative financial statements for the three months ended March 31, 2004 which is included as an exhibit to the registration statement of which the prospectus forms a part. Unless otherwise specified or the context otherwise requires, all references in this prospectus supplement and the prospectus to "Precision", "we", "us" and "our" mean Precision Drilling Corporation and its consolidated subsidiaries and partnerships. In the sections entitled "Description of the Notes" in this prospectus supplement and "Description of Debt Securities" in the prospectus, "we", "us", "our" or "Precision" refers only to Precision Drilling Corporation and not any of its subsidiaries or interests in partnerships and other entities.

This prospectus supplement is deemed to be incorporated by reference into the accompanying prospectus solely for the purposes of the offering of the notes offered hereby. Other documents are also incorporated or deemed to be incorporated by reference into the prospectus. See "Where You Can Find More Information" in the prospectus.

The information concerning the land drilling business assets we acquired from GlobalSantaFe Corporation and the information concerning Reeves Oilfield Services Ltd. contained herein has been derived from information provided by GlobalSantaFe and Reeves or the public disclosure filings of GlobalSantaFe and Reeves. We have no reason, based on our investigations, to question the material accuracy of this information or to believe that there are material omissions therefrom. However, neither we nor the underwriters assume any responsibility for the accuracy or completeness of this information.

ANY STATEMENT CONTAINED IN THIS PROSPECTUS SUPPLEMENT, THE ACCOMPANYING PROSPECTUS OR ANY DOCUMENT INCORPORATED OR DEEMED TO BE INCORPORATED BY REFERENCE INTO THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS FOR THE PURPOSE OF THE OFFERING OF THE NOTES OFFERED HEREBY SHALL BE DEEMED TO BE MODIFIED OR SUPERSEDED TO THE EXTENT THAT A STATEMENT CONTAINED IN THIS PROSPECTUS SUPPLEMENT OR IN ANY OTHER SUBSEQUENTLY FILED DOCUMENT THAT ALSO IS OR IS DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS MODIFIES OR SUPERSEDES THAT STATEMENT. ANY STATEMENT SO MODIFIED OR SUPERSEDED SHALL NOT BE DEEMED, EXCEPT AS SO MODIFIED OR SUPERSEDED, TO CONSTITUTE PART OF THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS. THE MODIFYING OR SUPERSEDING STATEMENT NEED NOT STATE THAT IT HAS MODIFIED OR SUPERSEDED A PRIOR STATEMENT OR INCLUDE ANY INFORMATION SET FORTH IN THE DOCUMENT WHICH IT MODIFIES OR SUPERSEDES.

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### PROSPECTUS

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### EXCHANGE RATE DATA

We publish our consolidated financial statements in Canadian dollars. Unless otherwise specified or the context otherwise requires, all dollar amounts are expressed herein in Canadian dollars, references to "dollars" or "\$" are to Canadian dollars and references to "US\$" are to United States dollars.

The following table sets forth certain exchange rates based on the noon buying rate in The City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "noon buying rate"). These rates are set forth as United States dollars per Canadian dollar and are the inverse of rates quoted by the Federal Reserve Bank of New York. On May 24, 2004, the inverse of the noon buying rate was US\$0.7301 equals \$1.00.

|             | YEAR ENDED DECEMBER 31, |        |        | THREE MONTHS ENDED |        |
|-------------|-------------------------|--------|--------|--------------------|--------|
|             | -----                   |        |        | MARCH 31,          |        |
|             | 2001                    | 2002   | 2003   | 2003               | 2004   |
|             | ----                    | ----   | ----   | ----               | ----   |
| High.....   | 0.6697                  | 0.6619 | 0.7738 | 0.6822             | 0.7780 |
| Low.....    | 0.6241                  | 0.6200 | 0.6349 | 0.6349             | 0.7418 |
| Average(1). | 0.6457                  | 0.6369 | 0.7136 | 0.6623             | 0.7585 |

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- (1) The average of the inverse of the noon buying rate on the last day of each month during the applicable period.

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SUMMARY OF THE OFFERING

YOU SHOULD READ THE FOLLOWING SUMMARY TOGETHER WITH THE MORE DETAILED INFORMATION ABOUT US, THE NOTES WE ARE SELLING IN THIS OFFERING AND THE ADDITIONAL DOCUMENTS INCORPORATED BY REFERENCE IN THE PROSPECTUS.

ISSUER..... Precision Drilling Corporation

NOTES OFFERED..... US\$300,000,000 in principal amount of \_\_\_% Senior Notes due 2014.

MATURITY DATE..... \_\_\_\_\_, 2014.

INTEREST..... \_\_\_\_\_% per annum, payable semi-annually in arrears on and \_\_\_\_\_, commencing on \_\_\_\_\_, 2004.

RANKING..... The notes will be our unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated obligations. The notes will be effectively subordinate to all existing and future indebtedness and other liabilities of any of our subsidiaries and partnerships. As of March 31, 2004, the notes would have been effectively subordinate to approximately \$304.1 million of indebtedness and other liabilities (including trade payables) of our subsidiaries and partnerships.

REDEMPTION..... We may redeem some or all of the notes at any time at the redemption prices described in this prospectus supplement. See "Description of the Notes--Optional Redemption" in this prospectus supplement. We may also redeem all of the notes at the redemption prices described in the accompanying prospectus at any time in the event certain changes affecting Canadian withholding taxes occur. See "Description of Debt Securities--Tax Redemption" in the prospectus.

FORM AND DENOMINATIONS..... The notes will be represented by one or more fully registered global securities ("Registered Global Securities") registered in the name of a nominee of The Depository

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Trust Company. Beneficial interests in any Registered Global Security will be in denominations of US\$1,000 and integral multiples thereof. Except as described under "Description of the Notes" in this prospectus supplement and "Description of Debt Securities" in the prospectus, notes in definitive form will not be issued.

ADDITIONAL AMOUNTS..... We will make payments on the notes without withholding or deduction for Canadian taxes unless required to be withheld or deducted by law or the interpretation or administration thereof in which case, subject to certain exceptions, we will pay such additional amounts as may be necessary so that the net amount received by holders of the notes after such withholding or deduction will not be less than the amount that such holders would have received in the absence of such withholding or deduction. See "Description of Debt Securities-- Additional Amounts" in the prospectus.

USE OF PROCEEDS..... We intend to use the net proceeds of this offering primarily to repay a portion of the indebtedness incurred to finance the acquisitions of the land drilling business assets of GlobalSantaFe Corporation and all of the outstanding shares of Reeves Oilfield Services Ltd. See "Use of Proceeds" in this prospectus supplement.

GOVERNING LAW..... The notes and the indenture governing the notes will be governed by the laws of the State of New York.

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### FORWARD-LOOKING STATEMENTS

Certain statements included in this prospectus supplement, the prospectus and the documents incorporated by reference therein constitute forward looking statements within the meaning of the United States PRIVATE SECURITIES LITIGATION REFORM ACT of 1995 relating to, but not limited to, our operations, anticipated financial performance, business prospects and strategies. Forward looking statements typically contain statements with words such as "could", "should", "expect", "estimate", "likely", "believe", "will" and similar expressions, including, but not limited to, statements as to: future capital expenditures, including the amount and nature thereof; oil and gas prices and demand; expansion and other development trends of the oil and gas industry; business strategy; expansion and growth of our business and operations, including our market share and position in the domestic and international drilling markets; and beliefs, plans, objectives, assumptions or statements about future events or performance.

You are cautioned not to place undue reliance on forward looking

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statements. By their nature, forward looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predicted outcomes will not occur. These factors include, but are not limited to:

- o general economic, business and market conditions including stock market volatility;
- o volatility of crude oil, natural gas and natural gas liquids prices;
- o fluctuations in currency and interest rates;
- o competition;
- o risks inherent in foreign operations, including political and economic risk;
- o risks of war, hostilities, civil insurrection and terrorist threats;
- o fluctuations in the level of oil and gas exploration and development activities;
- o fluctuations in the demand for well servicing, contract drilling, directional drilling, well logging and ancillary oilfield services;
- o technological changes and developments in the oil and gas industry;
- o the ability of oil and gas companies to raise capital;
- o the effects of severe and seasonal weather conditions on operations and facilities;
- o the existence of operating risks inherent in well servicing, contract drilling, directional drilling, well logging and ancillary oilfield services;
- o political circumstances impeding the progress of work in any of the countries in which we do business;
- o identifying and acquiring suitable acquisition targets on reasonable terms;
- o changes in laws or regulations, including taxation, environmental and currency regulations;
- o our ability to integrate and manage acquired businesses;
- o the lack of availability of qualified personnel or management;
- o the availability of supplies and the reliability of components used in our manufacturing processes;
- o our ability to either generate sufficient cash flow to meet current and future obligations or to obtain external debt or equity financing;
- o our ability to make capital investments and the amounts thereof; and

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- o risks associated with existing and potential future lawsuits and regulatory actions against us.

We caution that the foregoing list of important factors is not exhaustive. Events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward looking statements. You should also carefully consider the matters discussed under "Risk Factors" in this prospectus supplement and the accompanying prospectus. We do not undertake any obligation to update publicly or otherwise revise any forward looking statements, whether as a result of new information, future events or otherwise, or the foregoing list of factors affecting this information.

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### RISK FACTORS

YOU SHOULD CONSIDER CAREFULLY THE RISK FACTORS SET FORTH BELOW AS WELL AS THE OTHER INFORMATION CONTAINED IN AND INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT AND IN THE ACCOMPANYING PROSPECTUS BEFORE PURCHASING THE NOTES. IF ANY EVENT ARISING FROM THESE RISKS OCCURS, OUR BUSINESS, PROSPECTS, FINANCIAL CONDITION, RESULTS OF OPERATIONS OR CASH FLOWS COULD BE MATERIALLY ADVERSELY AFFECTED. ADDITIONAL RISKS AND UNCERTAINTIES NOT CURRENTLY KNOWN TO US OR THAT WE CURRENTLY DEEM TO BE IMMATERIAL MAY ALSO MATERIALLY ADVERSELY AFFECT OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS. CERTAIN STATEMENTS UNDER THIS CAPTION CONSTITUTE FORWARD LOOKING STATEMENTS. SEE "FORWARD LOOKING STATEMENTS."

### STRUCTURAL SUBORDINATION OF THE NOTES

In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries or partnerships, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries and partnerships before any assets are made available for distribution to us. As of March 31, 2004, the notes would have been effectively subordinate to approximately \$304.1 million of indebtedness and other liabilities (including trade payables) of our subsidiaries and partnerships. The Indenture governing the notes does not limit the ability of our subsidiaries and partnerships to incur secured or unsecured indebtedness. Our subsidiaries and partnerships generated 100% of our consolidated revenues in the three month period ended March 31, 2004 and held 98% of our consolidated assets as of March 31, 2004.

### NO PRIOR PUBLIC MARKET FOR THE NOTES

Prior to this offering, there was no public market for the notes. We have been informed by the underwriters that they intend to make a market in the notes after this offering is completed. However, the underwriters may cease their market making at any time. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for debt securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, purchasers of notes cannot be sure that an active trading market will develop for the notes.

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## PRECISION DRILLING CORPORATION

We provide oilfield and industrial services to customers in Canada, the United States and other international regions. Our principal business is the provision of land drilling services to oil and gas exploration and production companies. We are the leading provider in Canada of land drilling services based on the number of wells and metres drilled. Additionally, we provide the following: well service rigs and hydraulic well assist snubbing units; procurement and distribution of oilfield supplies; camp and catering services; manufacture, sale and repair of drilling equipment; open hole logging, cased hole logging and completion services, slickline services, directional drilling services; measurement-while-drilling ("MWD") and logging-while-drilling services ("LWD"); the manufacture, rental and sale of polycrystalline diamond compact drill bits; controlled pressure drilling services and well testing; rental of mobile combination office and industrial housing; rental of surface oilfield equipment for drilling, completion and production activities; and we also provide industrial maintenance and turnaround services, including specialized equipment and labour services, to downstream oil and gas, petrochemical and other process industry customers.

We have grown primarily through a series of acquisitions of related businesses as well as reinvestment in our core businesses to become the largest Canadian integrated oilfield service contractor. We have reinvested cash flow from operations to grow our service and product offerings. In 2003, we derived 70% of our revenue from the Canadian market.

Our operations are managed in three segments consisting of:

- o Contract Drilling which includes drilling rigs, service rigs, hydraulic well assist snubbing units, camp and catering services, procurement and distribution of oilfield supplies, and manufacture, sale and repair of drilling equipment;
- o Technology Services which includes wireline logging services, slickline services, directional drilling, MWD and LWD services, controlled pressure drilling, well testing, and the design and manufacture of polycrystalline diamond compact ("PDC") drill bits; and
- o Rental and Production which includes oilfield equipment rental services and industrial maintenance.

Our revenue by industry and geographic segments are illustrated in the following tables.

|                           | YEARS ENDED DECEMBER 31, (000s) |              |              |
|---------------------------|---------------------------------|--------------|--------------|
|                           | 2001                            | 2002         | 2003         |
|                           | ----                            | ----         | ----         |
| Contract Drilling.....    | \$ 1,004,265                    | \$ 770,147   | \$ 992,824   |
| Technology Services.....  | 614,152                         | 603,088      | 714,385      |
| Rental and Production.... | 194,567                         | 192,840      | 210,724      |
| Corporate and other.....  | 2,224                           | 1,431        | --           |
|                           | -----                           | -----        | -----        |
| Total Revenue.....        | \$ 1,815,208                    | \$ 1,567,506 | \$ 1,917,933 |
|                           | =====                           | =====        | =====        |

|             | YEARS ENDED DECEMBER 31, (000s) |              |              |
|-------------|---------------------------------|--------------|--------------|
|             | 2001                            | 2002         | 2003         |
|             | ----                            | ----         | ----         |
| Canada..... | \$ 1,320,989                    | \$ 1,022,489 | \$ 1,349,565 |

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|                 |              |              |              |
|-----------------|--------------|--------------|--------------|
| International.. | 494,219      | 545,017      | 568,368      |
|                 | -----        | -----        | -----        |
| Total.....      | \$ 1,815,208 | \$ 1,567,506 | \$ 1,917,933 |
|                 | =====        | =====        | =====        |

### CONTRACT DRILLING

Contract Drilling consists of three main categories of operations; Canadian Contract Drilling, which includes contract drilling support, International Drilling and Canadian Well Servicing.

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Revenue generated by these operations is as follows:

|                            | YEARS ENDED DECEMBER 31, (000s) |      |            |      |            |      |
|----------------------------|---------------------------------|------|------------|------|------------|------|
|                            | 2001                            |      | 2002       |      | 2003       |      |
|                            | REVENUE                         | %    | REVENUE    | %    | REVENUE    | %    |
|                            | -----                           | -    | -----      | -    | -----      | -    |
| Canadian Contract Drilling | \$ 661,659                      | 66%  | \$ 474,051 | 61%  | \$ 654,572 | 66%  |
| International Drilling..   | 113,404                         | 11%  | 105,108    | 14%  | 114,131    | 11%  |
| Canadian Well Servicing.   | 229,202                         | 23%  | 190,988    | 25%  | 224,121    | 23%  |
|                            | -----                           | ---  | -----      | ---  | -----      | ---  |
|                            | \$1,004,265                     | 100% | \$ 770,147 | 100% | \$ 992,824 | 100% |
|                            | =====                           | ===  | =====      | ===  | =====      | ===  |

### CANADIAN CONTRACT DRILLING

We own and operate the largest fleet of land drilling rigs in Canada with 225 actively marketed rigs (41 of which are electrically powered) located throughout the Western Canada Sedimentary Basin, accounting for approximately 33% of the actively marketed land drilling rigs in Canada. During 2003, we achieved a utilization rate of 52.0% for our drilling rigs compared to the average industry utilization rate in Canada of 53.1%. We drilled 8,451 exploration and development wells, accounting for 40.8% of industry wells in western Canada.

### INTERNATIONAL DRILLING

Our international drilling operations which are carried out through various international subsidiaries, are focused on expansion into countries where drilling opportunities fit our niche capabilities, and where we can attain a strategic position in the near to medium term. In 2003, we operated 19 rigs in Mexico, South America, the Middle East and the Asia/Pacific region.

### CANADIAN WELL SERVICING

We have 239 well service rigs, the largest well service fleet in Canada. Our diverse workover rig fleet is capable of performing service and completion jobs in any depth range, including heavy oil wells as well as horizontal re-entry drilling. Our service rigs are used for (i) completion services to prepare a newly drilled well for production; (ii) workovers to, among other things, restore or enhance production from a well, make subsurface repairs such as casing repair or replacement, enable recovery of tubing and

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removal of foreign objects, such as lost tools, in the wellbore; and (iii) well maintenance services to ensure continuous and efficient operation of producing wells.

### TECHNOLOGY SERVICES

Technology Services carries on business through three main business lines: wireline, directional drilling and separation services. Wireline includes cased hole, open hole and slickline services. Directional drilling includes MWD, LWD, directional drilling and rotary steerable services. Separation services include well testing and controlled pressure drilling (which includes underbalanced drilling services).

Revenue generated by Technology Services operations is as follows:

|                              | YEARS ENDED DECEMBER 31, (000s) |      |            |      |            |      |
|------------------------------|---------------------------------|------|------------|------|------------|------|
|                              | 2001                            |      | 2002       |      | 2003       |      |
|                              | REVENUE                         | %    | REVENUE    | %    | REVENUE    | %    |
| Wireline.....                | \$ 308,569                      | 50%  | \$ 227,497 | 38%  | \$ 298,568 | 42%  |
| Directional<br>Drilling..... | 175,614                         | 29%  | 178,675    | 29%  | 223,442    | 31%  |
| Separation Services          | 85,530                          | 14%  | 100,670    | 17%  | 95,426     | 13%  |
| Other.....                   | 44,439                          | 7%   | 96,246     | 16%  | 96,949     | 14%  |
|                              | \$ 614,152                      | 100% | \$ 603,088 | 100% | \$ 714,385 | 100% |

### WIRELINE

Our wireline services are offered from numerous locations throughout the world. The provision of wireline services is divided into open hole services, cased hole services and slickline services. At our Fort Worth, Texas facility we design, assemble and service open hole and cased hole logging tools and surface equipment. We provide wireline and slickline services with 39 open hole units, 175 cased hole units, 10 combination open/cased hole units, 14 slickline

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and six combination slickline/cased hole units deployed from our service centres in Canada, the United States, Mexico and other international regions.

### DIRECTIONAL DRILLING

We supply specialized equipment including MWD, LWD, rotary steerable systems and drilling motors along with experienced personnel for directional and horizontal drilling operations. Those services are available for directional control, slant well drilling, single and multi-lateral horizontal wells and other directional applications. Our directional drilling equipment is engineered and assembled in Edmonton, Alberta and our MWD and LWD tools are manufactured and assembled in Houston, Texas.

### SEPARATION SERVICES

We provide separation services, well testing and controlled pressure drilling services to oil and gas producers. Our controlled pressure drilling services are provided from facilities in Canada, the United States, Mexico,

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South America, Europe/Africa, the Middle East and Asia/Pacific. We also sell and rent drill bits into the Canadian market and selected international markets.

### RENTAL AND PRODUCTION

Revenue generated by Rental and Production operations is as follows:

|                        | YEARS ENDED DECEMBER 31, (000s) |                   |                   |
|------------------------|---------------------------------|-------------------|-------------------|
|                        | 2001                            | 2002              | 2003              |
| Rental Services.....   | \$ 42,290                       | \$ 24,469         | \$ 36,478         |
| Production Services... | 152,277                         | 168,371           | 174,246           |
|                        | <u>\$ 194,567</u>               | <u>\$ 192,840</u> | <u>\$ 210,724</u> |

### RENTAL SERVICES

Our rental services component of the Rental and Production segment provides a wide array of rental products and services, including surface, drilling, completion and production equipment; tubular and well control equipment; and field and well site accommodations. We maintain an inventory of rental equipment including storage tanks, high and low pressure oil and gas separators, sump and shale tanks and related equipment. Our field and well site accommodation business consists of a fleet of approximately 281 fully equipped and furnished units. Our tubular and well control business consists of the rental of specialized drilling equipment (approximately 10,000 joints of specialty drill pipe and collars and 4,000 handling tools, valves, kellys and floats) to hydrocarbon producers and service and drilling rig contractors engaged in the Canadian oil and gas industry.

### PRODUCTION SERVICES

The production services component of this segment provides industrial cleaning, catalyst handling and mechanical services, usually carried out in large plants such as refineries, gas plants, petro-chemical facilities and the pulp and paper industry. We operate a modern fleet of equipment that includes portable dredges, dewatering centrifuges and oil-skimming equipment capable of assisting companies in dealing with a variety of water-related maintenance services.

### RECENT DEVELOPMENTS

#### AGREEMENT TO PURCHASE THE LAND DRILLING BUSINESS ASSETS OF GLOBALSANTAFE CORPORATION

We entered into an agreement (the "GSF Purchase Agreement") dated April 1, 2004, with GlobalSantaFe Corporation ("GSF") and certain of its subsidiaries (the "GSF Group") whereby the GSF Group agreed to sell all of its land drilling business assets to us for US\$316.5 million. We closed this transaction on May 21, 2004.

The GSF land drilling business that we acquired is carried out in Kuwait, Saudi Arabia, Egypt, Oman and Venezuela and consists of 31 drilling rigs and associated inventory and equipment. Most of the 31 drilling rigs are greater than 1,500 horsepower rigs. The location of the drilling rigs is as follows: 12 rigs in Kuwait; 4 rigs in Saudi Arabia; 4 rigs in Egypt; 3 rigs in Oman; and 8 rigs in Venezuela. For the 12 month period ended December 31, 2003, the GSF land drilling business assets that we acquired generated revenue of approximately US\$93.6 million.

In addition to the 31 drilling rigs and associated inventory and equipment, we also acquired the infrastructure necessary to continue carrying on GSF's land drilling business, including retaining most of the employees in the GSF land drilling business, and taking over available drilling contracts and leased premises pertaining to the GSF land drilling business. We also entered into a transition services agreement whereby GSF will provide transitional services to us to provide a smooth transition of GSF's land drilling business.

The following is a summary of the acquired GSF land drilling business in each of the countries where it operates:

KUWAIT

GSF drills for the state owned Kuwait Oil Company. GSF has three 3,000 horsepower rigs working in Kuwait. These rigs are high horsepower rigs which are suited for deep drilling. GSF also has four 1,500 horsepower rigs, two 1,250 horsepower rigs and three 750 horsepower rigs in Kuwait.

SAUDI ARABIA

GSF has three 3,000 horsepower rigs and one 1,700 horsepower rig in Saudi Arabia. Saudi Aramco is the primary customer of GSF in Saudi Arabia.

OMAN

GSF has two 1,000 horsepower rigs and one 750 horsepower rig in Oman. As Oman oil reserves are shallower than other countries in the region, these smaller rigs are more suitable for the exploration and development drilling which is carried out in Oman. The two 1,000 horsepower rigs are currently under long term contracts which are in place until October 2007.

EGYPT

GSF has three 2,000 horsepower rigs and one workover rig in Egypt. Although oil production has declined in Egypt since 1996, natural gas production is growing in importance and there are two liquid natural gas facilities under construction.

VENEZUELA

GSF has two 3,000 horsepower rigs and six 2,000 horsepower rigs in Venezuela. Although Venezuela has extensive oil and gas reserves, Venezuela's exploration efforts have been substantially hindered by political unrest for the last two years and, as a result, GSF's eight drilling rigs in Venezuela have been, for the most part, idle over the last two year period. Although political uncertainty continues in Venezuela, there have been recent signs of increasing oil and gas drilling activity. At this time, we have four rigs of our own in Venezuela, all of which are under 1,000 horsepower. With the acquisition of the additional eight large horsepower rigs of GSF, we will have a good mix of large and smaller horsepower rigs in Venezuela which should put us in a favourable position when oil and gas activity increases in Venezuela.

ACQUISITION OF REEVES OILFIELD SERVICES LTD.

We entered into an agreement with 3i Group PLC and certain other shareholders of Reeves Oilfield Services Ltd. ("Reeves"), a United Kingdom registered company, to make an offer to purchase all of the issued and outstanding shares (the "Reeves Shares") of Reeves (the "Reeves Takeover

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Offer"). Certain managers of Reeves and 3i Group PLC, together holding 73.6% of the Reeves Shares, agreed to tender their Reeves Shares pursuant to the Reeves Takeover Offer.

One of the conditions of the Reeves Takeover Offer was that at least 90% of the Reeves Shares be tendered on or before June 10, 2004 or such later date as agreed between the parties (the "Reeves Condition"). The Reeves Condition was met and as of May 18, 2004, a total of 99.7% of the Reeves Shares were tendered and paid for. Upon completion of the purchase of 100% of the Reeves Shares, the total purchase price will amount to (pound)92.4 million (US\$164.9 million based on an exchange rate of US\$1.00: (pound)0.5605). In acquiring the Reeves Shares, we assumed a positive consolidated net cash position of approximately (pound)4.0 million taking into account outstanding operating bank loans.

For the 12 month period ended March 31, 2004, Reeves generated revenue of US\$73.7 million (based on an average exchange rate of US\$1.00: (pound)0.5848), US\$23.0 million of which was generated from Reeves' Canadian operations.

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### THE REEVES BUSINESS

Reeves is an international provider of open hole and cased hole logging services to the oil and gas industry. The headquarters of Reeves is in East Leake, Leicestershire, England and Reeves carries out field operations through five principal operating companies in the following geographic areas:

- o the western region of the United States (including Alaska and California) through Reeves Wireline Services Inc.;
- o the Appalachian region of the United States, through Allegheny Wireline Services Inc.;
- o western Canada, through Reeves Wireline Services (Canada) Ltd.;
- o Australia, through Reeves Wireline Services (Australia) Pty Ltd. and Reeves Wireline Services (New Zealand) Ltd.; and
- o Europe, the Middle East and Africa through various branches of Reeves Wireline Services Ltd. (a United Kingdom company).

All of these operating companies (the "Reeves Operating Companies") are directly or indirectly owned 100% by Reeves, with the exception of Allegheny Wireline Services Inc., which is 56.5% owned by Reeves.

Another wholly owned Reeves subsidiary, Reeves Wireline Technologies Limited (referred to herein as "RWTL"), a United Kingdom corporation, is responsible for design and manufacture of the logging equipment used by Reeves and the Reeves Operating Companies, which provides a smaller diameter, lighter weight, shorter length suite of logging tools, compared to most competitors' conventional logging tools. The compact tool system can utilize smaller winches, smaller trucks and require fewer personnel to operate.

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### USE OF PROCEEDS

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The net proceeds to us from this offering will be approximately US\$ million, after deducting the underwriting commission and the estimated expenses payable by us of approximately US\$ million. We will use the net proceeds primarily to repay a portion of the indebtedness incurred to finance the acquisitions of the land drilling business assets of GlobalSantaFe Corporation and all of the outstanding shares of Reeves Oilfield Services Ltd. See "Recent Developments".

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### SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The following table sets forth our selected consolidated financial information for the years ended December 31, 2001, 2002 and 2003 derived from our audited consolidated financial statements which have been audited by KPMG LLP and our unaudited consolidated financial statements for the three months ended March 31, 2003 and 2004, which have been incorporated by reference into the prospectus supplement. Our consolidated financial statements are prepared in accordance with Canadian GAAP, which differs in certain respects from U.S. GAAP. For a discussion of the principal differences between our financial results as calculated under Canadian GAAP and under U.S. GAAP, you should refer to Note 15 of our consolidated financial statements for the year ended December 31, 2003, incorporated by reference into the prospectus as well as to the U.S. GAAP reconciliation for our unaudited comparative financial statements for the three months ended March 31, 2004 which is included as an exhibit to the registration statement of which the prospectus forms a part. You should read this selected consolidated financial information in conjunction with our audited consolidated financial statements and the related notes and management's discussion and analysis for the year ended December 31, 2003 and our unaudited consolidated interim financial statements and management's discussion and analysis for the three months ended March 31, 2004, which are incorporated by reference in the prospectus. Historical results are not necessarily indicative of the results that may be expected for any future periods.

#### SELECTED CONSOLIDATED FINANCIAL INFORMATION

| (MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS) | THREE MONTHS<br>ENDED MARCH 31, |          | YEAR ENDED DECEMBER |          |            |
|--|---------------------------------|----------|---------------------|----------|------------|
|  | 2003                            | 2004     | 2001                | 2002     | 2003       |
|  | (UNAUDITED)                     |          |                     |          |            |
| <b>INCOME STATEMENT:</b>                       |                                 |          |                     |          |            |
| Revenue  |                                 |          |                     |          |            |
| Contract Drilling.....                         | \$ 335.3                        | \$ 387.3 | \$ 1,004.2          | \$ 770.1 | \$ 1,004.2 |
| Technology Services.....                       | 203.0                           | 227.2    | 614.2               | 603.2    | 614.2      |
| Rental and Production.....                     | 49.7                            | 50.7     | 194.6               | 192.8    | 194.6      |
| Corporate and Other.....                       | --                              | --       | 2.2                 | 1.4      | 2.2        |
|  | 588.0                           | 665.2    | 1,815.2             | 1,567.5  | 1,815.2    |
| Expenses                                       |                                 |          |                     |          |            |
| Operating.....                                 | 376.0                           | 387.9    | 1,138.2             | 1,094.7  | 1,138.2    |
| General and administrative.....                | 35.2                            | 42.8     | 143.5               | 144.5    | 143.5      |
| Depreciation and amortization.....             | 48.9                            | 49.7     | 139.3               | 133.4    | 139.3      |
| Research and engineering.....                  | 8.9                             | 11.3     | 31.7                | 34.9     | 31.7       |

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|  |           |          |          |          |       |
|--|-----------|----------|----------|----------|-------|
| Foreign exchange.....  | 0.1       | 0.3      | 0.7      | 4.4      |       |
|  | -----     | -----    | -----    | -----    | ----- |
|  | 469.1     | 492.0    | 1,453.4  | 1,411.9  | 1     |
|  | -----     | -----    | -----    | -----    | ----- |
| Operating earnings.....  | 118.9     | 173.2    | 361.8    | 155.6    |       |
| Net interest expense.....  | 9.3       | 8.2      | 43.1     | 35.1     |       |
| Dividend Income.....   | --        | --       | (1.1)    | --       |       |
| Gain on disposal of investments.....   | --        | --       | (1.8)    | (0.9)    |       |
| Income taxes.....  | 35.2      | 56.7     | 114.5    | 30.7     |       |
| Earnings from continuing operations<br>before non-controlling interest and<br>goodwill amortization..... | 74.4      | 108.3    | 207.2    | 90.7     |       |
| Non-controlling interest.....  | 0.3       | 0.9      | 0.9      | 1.2      |       |
|  | -----     | -----    | -----    | -----    | ----- |
| Earnings from continuing operations before<br>goodwill amortization.....                                 | 74.1      | 107.4    | 206.3    | 89.5     |       |
| Goodwill amortization, net of tax.....   | --        | --       | 30.6     | --       |       |
| Earnings from continuing operations.....   | 74.1      | 107.4    | 175.7    | 89.5     |       |
| Discontinued operations, net of tax.....   | 9.0       | (6.9)    | 10.8     | 1.8      |       |
|  | -----     | -----    | -----    | -----    | ----- |
| Net Earnings.....  | \$ 83.1   | \$ 100.5 | \$ 186.5 | \$ 91.3  | \$    |
|  | =====     | =====    | =====    | =====    | ===== |
| EPS from continuing operations.....  |           |          |          |          |       |
| Basic.....   | \$ 1.37   | \$ 1.94  | \$ 3.31  | \$ 1.67  | \$    |
| Diluted.....   | \$ 1.34   | \$ 1.91  | \$ 3.23  | \$ 1.63  | \$    |
| CASH FLOW STATEMENT:   |           |          |          |          |       |
| Cash flow from operations.....   | \$ (19.8) | \$ 74.0  | \$ 432.2 | \$ 199.2 | \$    |
| Net capital expenditures(1).....   | \$ 72.5   | \$ 49.0  | \$ 340.7 | \$ 239.5 | \$    |
| OTHER FINANCIAL DATA:  |           |          |          |          |       |
| EBITDA (2).....  | \$ 167.7  | \$ 222.9 | \$ 501.1 | \$ 288.9 | \$    |

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|                            | AS AT<br>MARCH 31, | AS AT<br>DECEMBER 31, |         |
|----------------------------|--------------------|-----------------------|---------|
|                            | -----              | -----                 | -----   |
|                            | 2004               | 2002                  | 2003    |
|                            | ----               | ----                  | ----    |
|                            |                    | (UNAUDITED)           |         |
| BALANCE SHEET ITEMS:       |                    |                       |         |
| Cash.....                  | 20.2               | 17.3                  | 21.4    |
| Total assets.....          | 3,020.3            | 2,760.0               | 2,908.4 |
| Bank indebtedness.....     | 79.1               | 95.3                  | 147.9   |
| Long-term debt.....        | 404.6              | 542.0                 | 416.6   |
| Non-controlling interest.. | 4.6                | 2.0                   | 3.8     |
| Shareholders' equity.....  | 1,878.4            | 1,533.0               | 1,745.3 |

-----  
(1) Excludes business acquisitions, but includes proceeds from the sale of property, plant and equipment.

(2) EBITDA represents net earnings from operations, before depreciation and amortization, net interest expense, dividend income, gain on disposal of investments, income taxes, non-controlling interest, goodwill amortization, net of tax, and discontinued operations, net of tax. EBITDA is presented because we believe it is a useful measure of our operating performance. However, EBITDA is not a measure of operating performance or liquidity under Canadian GAAP or U.S. GAAP and should not be considered as an alternative to net cash flow from operations as a measure of our liquidity or as



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alternative to net earnings as an indicator of our operating performance or any other measure of performance in accordance with Canadian GAAP or U.S. GAAP. EBITDA, as we use the term herein, may not be comparable to EBITDA as reported by other companies. The numerical information required to reconcile EBITDA to net earnings is set forth as part of the selected income statements above.

### SELECTED OPERATING INFORMATION

The following table sets forth certain operating information for our Canadian drilling operations for the three months ended March 31, 2003 and 2004.

|  | THREE MONTHS ENDED MARCH 31, |              |                   |           |          |
|--|------------------------------|--------------|-------------------|-----------|----------|
|  | 2003                         |              |                   | 2004      |          |
|  | PRECISION                    | INDUSTRY (1) | MARKET<br>SHARE % | PRECISION | INDUSTRY |
| Number of drilling rigs.....                       | 225                          | 648          | 34.7              | 226       | 679      |
| Number of operating days (spud to<br>release)..... | 14,641                       | 42,024       | 34.8              | 14,768    | 45,189   |
| Wells drilled.....                                 | 2,281                        | 5,383        | 42.4              | 2,283     | 6,159    |
| Average days per well.....                         | 6.4                          | 7.8          |                   | 6.5       | 7.3      |
| Metres drilled (000s).....                         | 2,391                        | 5,950        | 40.2              | 2,571     | 7,087    |
| Average metres per day.....                        | 163                          | 142          |                   | 174       | 157      |
| Average metres per well.....                       | 1,048                        | 1,105        |                   | 1,126     | 1,151    |
| Rig utilization rate (%).....                      | 72.3                         | 72.1         |                   | 71.9      | 73.2     |

(1) Excludes non-Canadian Association of Oil Well Drilling Contractors rigs.

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### CONSOLIDATED CAPITALIZATION

The following table summarizes our consolidated capitalization as at March 31, 2004: (i) on an actual basis, (ii) on a proforma basis to give effect to the indebtedness incurred to finance the acquisitions of the land drilling business assets of GlobalSantaFe and all of the outstanding shares of Reeves, and (iii) on a proforma as adjusted basis to give effect to the incurrence of the indebtedness described in (ii) as well as the issuance of the notes and the application of the net proceeds as described under "Use of Proceeds". You should read this table together with our unaudited comparative consolidated financial statements for the three month period ended March 31, 2004 which are incorporated by reference in the prospectus.

| MARCH 31, 2004                         |             |
|--|-------------|
| ACTUAL                                 | PROFORMA    |
| -----                                  | -----       |
| (UNAUDITED)                            | (UNAUDITED) |
| (TABULAR AMOUNTS IN 000's EXCEPT NUMBE |             |

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|   |    |             |    |             |    |
|---|----|-------------|----|-------------|----|
| Operating Bank Loans(1).....                                | \$ | 79,077      | \$ | 731,174     | \$ |
| Long-term Debt  |    |             |    |             |    |
| 6.85% Series 1 debentures maturing June 26,<br>2007.....    |    | 200,000     |    | 200,000     |    |
| 7.65% Series 2 debentures maturing October 27,<br>2010..... |    | 150,000     |    | 150,000     |    |
| Notes offered by this prospectus.....                       |    | --          |    | --          |    |
| EDC term facility maturing September 15, 2005.....          |    | 26,400      |    | 26,400      |    |
| EDC extendable facility maturing October 24,<br>2004.....   |    | 27,922      |    | 27,922      |    |
| Capital lease obligations.....                              |    | 268         |    | 268         |    |
|   |    | -----       |    | -----       |    |
| Total Long-term Debt.....                                   | \$ | 404,590     | \$ | 404,590     | \$ |
|   |    | -----       |    | -----       |    |
| Total Debt.....   | \$ | 483,667     | \$ | 1,135,764   | \$ |
|   |    | -----       |    | -----       |    |
| Shareholders' Equity(2)                                     |    |             |    |             |    |
| Contributed Surplus.....                                    | \$ | 15,766      | \$ | 15,766      | \$ |
| Common Shares.....  |    | 967,830     |    | 967,830     |    |
|   |    | (55,753,494 |    | (55,753,494 |    |
|   |    | shares)     |    | shares)     |    |
|   |    | -----       |    | -----       |    |
| Retained Earnings.....                                      |    | 894,798     |    | 894,798     |    |
|   |    | -----       |    | -----       |    |
| Total Shareholders' Equity.....                             | \$ | 1,878,394   | \$ | 1,878,394   | \$ |
|   |    | -----       |    | -----       |    |
| Total Capitalization.....                                   | \$ | 2,362,061   | \$ | 3,014,158   | \$ |
|   |    | =====       |    | =====       |    |

(1) Our operating bank loans consist of (i) a \$350,000,000 syndicated extendable unsecured credit facility (ii) a \$33,000,000 (US\$25,000,000) revolving unsecured credit loan facility bearing interest at the bank's prime lending rate less 75 basis points, and (iii) a \$400,000,000 unsecured bridge financing facility entered into to fund the acquisitions. As at March 31, 2004, we were entitled to borrow a total of \$783 million under these facilities.

(2) Additionally, there are options outstanding as of March 31, 2004, to purchase 2,546,603 common shares at prices ranging from \$16.30 to \$65.90.

CREDIT RATINGS

The notes have been assigned a rating of "\_\_\_\_\_" by Standard & Poor's Ratings Services ("S&P") and a rating of "\_\_\_\_\_" by Dominion Bond Rating Service Limited ("DBRS"). Credit ratings are intended to provide investors with an independent measure of credit quality of any issue of securities. The credit ratings accorded to the notes by the rating agencies are not recommendations to purchase, hold or sell the notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Any rating may not remain in effect for any given period of time or may be revised or withdrawn entirely by a rating agency in the future if in its judgement circumstances so warrant. If any such rating is so revised or withdrawn, we are under no obligation to update this prospectus supplement.

S&P's credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of \_\_\_\_\_ by S&P is the \_\_\_\_\_ highest of eleven categories and indicates that the obligor is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than

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obligors in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong. The addition of a plus (+) or minus (--) designation after a rating indicates the relative standing within a particular rating category.

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DBRS' credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of \_\_\_\_\_ by DBRS is the \_\_\_\_\_ highest of nine categories and is assigned to debt securities considered to be of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than with AA rated entities. While a respectable rating, entities in the \_\_\_\_\_ category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher rated companies. The assignment of a "(high)" or "(low)" modifier within each rating category indicates relative standing within such category. The "high" and "low" grades are not used for the AAA category.

### INTEREST COVERAGE

The following sets forth interest coverage ratios calculated for the twelve month period ended December 31, 2003 based on audited financial information and for the twelve month period ended March 31, 2004 based on unaudited financial information. The interest coverage ratios set out below have been prepared and included in this prospectus supplement in accordance with Canadian disclosure requirements and Canadian GAAP. The interest coverage ratios set out below do not purport to be indicative of interest coverage ratios for any future periods. The ratios are adjusted to give effect to the issuance of the notes and the application of the net proceeds, as described under "Use of Proceeds". For further information regarding interest coverage, reference is made to "Interest Coverage" in the prospectus.

|                                      | DECEMBER 31,<br>2003 | MARCH 31,<br>2004 |
|--------------------------------------|----------------------|-------------------|
|                                      | -----                | -----             |
| Interest coverage on long-term debt: |                      |                   |
| Net earnings.....                    | 8.07 times           | 9.47 times        |
| Cash flow.....                       | 9.79 times           | 13.31 times       |

Interest coverage on long-term debt on an earnings basis is equal to net earnings before interest and income tax expense divided by interest expense. Interest coverage on long-term debt on a cash flow basis is equal to cash flow from operations before interest expense and current income tax expense divided by interest expense. For purposes of calculating the interest coverage ratios set forth in this prospectus, long-term debt includes the current portion of long-term debt.

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### DESCRIPTION OF THE NOTES

The following description of the terms of the notes (referred to in the prospectus as the "debt securities") supplements and, to the extent inconsistent therewith, replaces the description set forth under "Description of Debt Securities" in the prospectus and should be read in conjunction with such description. Capitalized terms used but not defined in this prospectus supplement have the meanings given to them in the prospectus. In this section

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only, "we", "us", "our", or "Precision" refers only to Precision Drilling Corporation and not to any of its subsidiaries or partnerships.

### GENERAL

The notes initially will be issued in an aggregate principal amount of US\$300,000,000. The notes will mature on \_\_\_\_\_, 2014. The notes will bear interest at the rate of \_\_\_\_\_% per year. Interest will be payable semi-annually on \_\_\_\_\_ and \_\_\_\_\_ of each year, commencing \_\_\_\_\_, 2004, to the persons in whose names the notes are registered at the close of business on the preceding \_\_\_\_\_ or \_\_\_\_\_, respectively.

The notes will be our unsecured senior obligations and will rank equally and ratably with all of our other unsecured senior indebtedness from time to time outstanding. We conduct a substantial portion of our operations through subsidiaries and partnerships. The notes will be structurally subordinated to all existing and future liabilities (including trade payables) and other indebtedness, of our subsidiaries and partnerships. At March 31, 2004, our subsidiaries and partnerships had approximately \$304.1 million of indebtedness and other liabilities (including trade payables).

Payment of the principal, premium, if any, and interest on the notes will be made in United States dollars. The notes will not be entitled to the benefit of any sinking fund.

The provisions of the Indenture relating to the payment of Additional Amounts in respect of withholding taxes in certain circumstances (described under the caption "Description of Debt Securities--Additional Amounts" in the accompanying prospectus) and the provisions of the Indenture relating to the redemption of notes in the event of specified changes in withholding tax law on or after the date of this prospectus supplement (described under the caption "Description of Debt Securities--Tax Redemption" in the prospectus) will apply to the notes.

We may from time to time without notice to, or the consent of, the holders of the notes, create and issue additional notes under the Indenture. Such additional notes will have the same terms as the notes offered hereby in all respects (except for the payment of interest accruing prior to the issue date of the new notes, and except for the first payment of interest following the issue date of the new notes) so that the new notes may be consolidated and form a single series with the notes. In the event that additional notes are issued, we will prepare a new prospectus supplement.

We may issue debt securities and incur additional indebtedness other than through the offering of securities pursuant to this prospectus supplement.

### OPTIONAL REDEMPTION

The notes will be redeemable, in whole or in part, at our option at any time at a redemption price equal to the greater of:

- o 100% of the principal amount of the notes to be redeemed; and
- o as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (not including any portion of the payments of interest accrued to the date of redemption), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined below) plus basis points,

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in either case, plus accrued interest thereon to the date of redemption.

Notice of any redemption will be delivered by first-class mail at least 30 days, but not more than 60 days, before the redemption date to each holder of the notes to be redeemed.

Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes or portions of the notes called for redemption.

"ADJUSTED TREASURY RATE " means, with respect to any redemption date, the rate per year equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price

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for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the redemption date.

"COMPARABLE TREASURY ISSUE " means the United States Treasury security or securities selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes.

"COMPARABLE TREASURY PRICE " means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"QUOTATION AGENT " means one of the Reference Treasury Dealers, which is appointed by us.

"REFERENCE TREASURY DEALER " means (A) UBS Securities LLC or its affiliates which are primary U.S. Government securities dealers and their respective successors; PROVIDED, HOWEVER, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"), we shall substitute for it another Primary Treasury Dealer; and (B) any other Primary Treasury Dealer selected by us.

"REFERENCE TREASURY DEALER QUOTATIONS " means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 3:30 p.m. (New York time) on the third business day preceding such redemption date.

### BOOK-ENTRY SYSTEM

The Depository Trust Company (hereinafter referred to as the "Depository") will act as securities depository for the notes. The notes will be issued as fully registered notes registered in the name of Cede & Co. (the Depository's nominee) or such other name as may be requested by an authorized representative of the Depository. One or more fully registered global notes (hereinafter referred to as the "global notes") will be issued for each of the notes, in the aggregate principal amount of the issue, and will be deposited with the Depository. The provisions set forth under "Description of Debt

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Securities--Global Securities" in the prospectus will be applicable to the notes.

The following is based on information furnished by the Depository:

The Depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the U.S. SECURITIES EXCHANGE ACT of 1934, as amended. The Depository also facilitates the settlement among participants of notes transactions, such as transfers and pledges, in deposited notes through electronic computerized book-entry charges in participants' accounts, thereby eliminating the need for physical movement of notes certificates. Direct participants (hereinafter referred to as "direct participants") include:

- o securities brokers and dealers;
- o banks;
- o trust companies;
- o depositories for Euroclear and Clearstream;
- o clearing corporations; and
- o certain other organizations.

The Depository is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the Depository's system is also available to others such as brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly, in the case of "indirect participants". The rules applicable to the Depository and its direct and indirect participants are on file with the SEC.

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Purchases of notes under the Depository's system must be made by or through direct participants, which will receive a credit for the notes on the Depository's records. The ownership interest of each "beneficial owner" is in turn to be recorded on the direct and indirect participant's records. Beneficial owners will not receive written confirmation from the Depository of their purchases but beneficial owners are expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owners entered into the transaction. Transfers of ownership interests in the global notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners of the global notes representing notes will not receive notes in definitive form representing their ownership interests, except in the event that use of the book-entry system for the notes is discontinued. The Depository may discontinue providing its services as securities depository with respect to the notes at any time by giving reasonable notice to us or the Trustee. Under these circumstances, and in the event that a successor depository is not obtained, notes in definitive form are required to be printed and delivered. We may decide to discontinue use of the system of book-entry transfers through the Depository (or a successor depository). In that event, notes in definitive form will be printed and

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delivered.

To facilitate subsequent transfers, the global notes which are deposited with the Depositary are registered in the name of the Depositary's nominee, Cede & Co., or such other name as may be requested by an authorized representative of the Depositary. The deposit of the global notes with the Depositary and its registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. The Depositary has no knowledge of the actual beneficial owners of the global notes representing the notes. The Depositary's records reflect only the identity of the direct participants to whose accounts the notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by the Depositary to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither the Depositary nor Cede & Co. (nor any other Depositary nominee) will consent or vote with respect to the global notes representing the notes. Under its usual procedures, if a consent or vote is required, the Depositary mails an "omnibus proxy" to us as soon as possible after the applicable record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the notes are credited on the applicable record date (identified in a listing attached to the omnibus proxy).

Any payments of principal, and premium, if any, and interest, if any, on the global notes representing the notes will be made to the Depositary, as the registered owner of the global notes. The Depositary's practice is to credit direct participants' accounts on the applicable payment date in accordance with their respective holdings shown on the Depositary's records unless the Depositary has reason to believe that it will not receive payment on that date. Payments by direct and indirect participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with notes held for the account of customers registered in "street name", and will be the responsibility of the direct or indirect participant and not of the Depositary, the Trustee or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, and premium, if any, and interest, if any, to the Depositary is our responsibility or the responsibility of the Trustee, disbursement of these payments to direct participants shall be the responsibility of the Depositary, and disbursement of these payments to the beneficial owners shall be the responsibility of direct and indirect participants. Neither we nor the Trustee will have any responsibility or liability for disbursements of payments in respect of ownership interests in the notes by the Depositary or the direct or indirect participants or for maintaining or reviewing any records of the Depositary or the direct or indirect participants relating to ownership interests in the notes or the disbursement of payments in respect of the notes.

The information in this section concerning the Depositary and the Depositary's system has been obtained from sources that we believe to be reliable, but is subject to any changes to the arrangements between us and the Depositary and any changes to these procedures that may be instituted unilaterally by the Depositary.

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### CERTAIN INCOME TAX CONSEQUENCES

The following is a general summary of the principal Canadian federal income tax considerations generally applicable to an initial holder of notes who acquires notes pursuant to this Offering and who, at all relevant times, for purposes of the INCOME TAX ACT CANADA (the "Tax Act"), holds the notes as capital property and deals with Precision at arm's length and is not affiliated with Precision (such a Noteholder is referred to in this section of the prospectus as a "Holder"). Generally, notes will be considered to be capital property to a Holder provided that the Holder does not hold the notes in the course of carrying on a business and has not acquired it as an adventure in the nature of trade Notes held by certain "financial institutions" (as defined in the Tax Act) will generally not be capital property to such Holders and will be subject to special "mark-to-market" rules contained in the Tax Act. This summary does not take into account these mark-to-market rules and Holders to whom these rules may be relevant should consult their own tax advisors. This summary is not applicable to a holder of an interest in which would be a "tax shelter investment" as defined in the Tax Act.

This summary is based on the current provisions of the Tax Act and the regulations promulgated thereunder and counsel's understanding of the current published administrative practices of the Canada Revenue Agency ("CRA"). This summary takes into account all specific proposals to amend the Tax Act and the regulations promulgated thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this prospectus supplement. This summary does not otherwise take into account or anticipate any changes in law or practice, whether by judicial, governmental or legislative decision or action, nor does it take into account tax legislation of any province, territory or foreign jurisdiction. The provisions of provincial income tax legislation vary from province to province in Canada and in some cases differ from federal income tax legislation.

THIS SUMMARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR HOLDER, AND NO REPRESENTATIONS WITH RESPECT TO THE INCOME TAX CONSEQUENCES TO ANY PARTICULAR HOLDER ARE MADE. IT DOES NOT CONSTITUTE A COMPLETE ANALYSIS OF THE TAX CONSIDERATIONS THAT MAY BE APPLICABLE TO ANY PARTICULAR HOLDER. ACCORDINGLY, PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISORS FOR ADVICE WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF ACQUIRING, HOLDING AND DISPOSING OF NOTES, INCLUDING THE APPLICATION AND EFFECT OF THE INCOME AND OTHER TAX LAWS OF ANY COUNTRY, PROVINCE, STATE OR LOCAL TAX AUTHORITY.

#### RESIDENTS OF CANADA

The following summary is applicable to a Holder who, at all relevant times, for the purposes of the Tax Act and any applicable tax treaty or convention, is or is deemed to be resident in Canada and who holds notes as capital property (a "Canadian Holder").

#### TAXATION OF INTEREST ON NOTES

A Canadian Holder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in its income for a taxation year all interest on a note that accrues (or is deemed to accrue) to the Canadian Holder to the end of that taxation year or becomes receivable or is received by the Canadian Holder before the end of that taxation year, to the extent that such amount was not included in its income for a preceding taxation year.

Any other Canadian Holder, including an individual, will be required to include in income for a taxation year any interest on a note received or receivable by such Canadian Holder in that taxation year (depending upon the



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method regularly followed by the Canadian Holder in computing income under the Tax Act), to the extent that such amount was not otherwise included in the Canadian Holder's income for that or any preceding taxation year. If such Canadian holder has not otherwise included in income interest on a note at periodic intervals of not more than one year, such Canadian holder will also be required to include in income for any taxation year that includes an "anniversary date" (as defined in the Tax Act) of the note, any interest or amount that is considered for the purposes of the Tax Act to be interest on the note which accrues to the holder to the end of such day, to the extent that such interest was not otherwise included in computing income for the year or preceding year.

In the event the notes are issued at a discount from their face value, a Canadian holder may be required to include an additional amount in computing income, either in accordance with the deemed interest accrual rules contained in the Tax Act and regulations or in the taxation year in which the discount is received or receivable by the Canadian holder. A Canadian holder should consult his or her own tax advisor in these circumstances, as the treatment of the discount may vary with the facts and circumstances giving rise to the discount.

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As the notes are denominated in US currency a Canadian holder will be required to include in computing income the Canadian dollar equivalent of the amount determined in accordance with the foregoing rules.

A Canadian Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable for an additional refundable tax of 6 2/3% on investment income, including interest.

### DISPOSITION OF NOTES

On a disposition or deemed disposition of notes (including a redemption, or purchase by Precision or a repayment by Precision on maturity), a Canadian Holder will generally be required to include in income (as interest) the aggregate amount of interest accrued (or deemed to have accrued) on the notes from the date of the last interest payment to the date of disposition and that is not payable until after such date, to the extent that such amount has not otherwise been included in the Canadian Holder's income for the taxation year or a previous taxation year. On a redemption of a note before maturity, the amount if any, by which the redemption proceeds exceeds the principal amount of the note may be deemed to be interest received by holder.

In general, a disposition or deemed disposition of notes will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition, net of accrued interest or any amount deemed to be interest and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the notes to the Canadian Holder immediately before the disposition.

One-half of the amount of any capital gain (a "taxable capital gain") realized by a Canadian Holder in a taxation year must be included in the Canadian Holder's income in that year, and one-half of the amount of any capital loss (an "allowable capital loss") realized by a Canadian Holder in a taxation year may generally be deducted from taxable capital gains realized by the Canadian Holder in that year. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act. Allowable capital losses may not generally be deducted against other types of income such as business on

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employment income. A capital gain realized by an individual (other than certain specified trusts) may give rise to a liability for alternative minimum tax.

A Canadian Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable for an additional refundable tax of 6 2/3% on investment income, including taxable capital gains. For purposes of the Tax Act the cost of a note to a Canadian holder will be the Canadian dollar equivalent of the cost otherwise determined and on any disposition of notes the holder's proceeds of disposition will be the Canadian dollar equivalent of the proceeds otherwise determined.

### NON-RESIDENTS OF CANADA

The following summary is applicable to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable tax treaty or convention, is not resident or deemed to be resident in Canada, deals with Precision at arm's length and does not use or hold and is not deemed to use or hold a note in carrying on business in Canada. Special rules, which are not discussed below, may apply to a non-resident that is an insurer which carries on business in Canada and elsewhere.

Under the Tax Act, the payment by Precision of interest, principal and premium in respect of the notes to a Holder who is not a Canadian resident will be exempt from Canadian withholding tax.

No other taxes on income (including taxable capital gains) will be payable under the Tax Act by a Holder who is not a Canadian resident in respect of the acquisition, holding, redemption or disposition of the notes, including the receipt of interest, premium or principal thereon, solely as a consequence of such acquisition, holding, redemption or disposition.

### CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes certain U.S. federal income tax consequences that may be relevant to the purchase, ownership and disposition of notes by United States persons (as defined below) who purchase notes in this offering at the issue price set forth on the cover of this prospectus supplement and who hold the notes as capital assets ("U.S. Holders") within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). This summary does not address tax consequences applicable to subsequent purchasers of the notes. This discussion does not purport to deal with all aspects of U.S. federal income taxation that may be relevant to particular

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holders in light of their particular circumstances nor does it deal with persons that are subject to special tax rules, such as dealers and traders in securities or currencies, financial institutions, insurance companies, tax-exempt organizations, persons holding the notes as a part of a straddle, hedge, or conversion transaction or a synthetic security or other integrated transaction, regulated investment companies, traders in securities who elect to mark-to-market their securities, U.S. expatriates, persons subject to the alternative minimum tax, U.S. Holders whose "functional currency" is not the U.S. dollar, and holders who are not U.S. Holders. This discussion does not cover any state, local, or foreign tax consequences. The discussion is based upon the provisions of the Code and United States Treasury regulations, rulings and judicial decisions under the Code, all as currently in effect as of the date of this prospectus supplement, and those authorities may be repealed, revoked or modified (possibly with retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below. There can be no

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assurance that the Internal Revenue Service (the "IRS") will take a similar view as to any of the tax consequences described in this summary.

THE FOLLOWING DISCUSSION IS FOR GENERAL INFORMATION ONLY AND IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY HOLDER OR PROSPECTIVE HOLDER OF NOTES OF THE COMPANY AND NO OPINION OR REPRESENTATION WITH RESPECT TO THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO ANY HOLDER OR PROSPECTIVE HOLDER IS MADE. U.S. HOLDERS AND PERSONS CONSIDERING THE PURCHASE, OWNERSHIP OR DISPOSITION OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME OR OTHER TAX CONSEQUENCES IN LIGHT OF THEIR PARTICULAR SITUATIONS AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE OR OF ANY LOCAL OR FOREIGN TAXING JURISDICTION.

As used in this section, the term "United States person" means a beneficial owner of a note that is (i) a citizen or individual resident of the United States for U.S. federal income tax purposes, (ii) a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust (A) which is subject to the supervision of a court within the United States and the control of a United States person, or (B) that was in existence on August 20, 1996, was treated as a United States person under the Code on the previous day, and validly elected to continue to be so treated under applicable United States Treasury regulations. If a partnership or other flow-through entity holds a note, the U.S. federal income tax treatment of a partner or other owner generally will depend on the status of the partner or other owner and the activities of the partnership or other flow-through entity. A U.S. Holder that is a partner of the partnership or an owner of another flow-through entity holding a note should consult its own tax advisors.

### PAYMENTS OF INTEREST

Interest on a note will generally be includable by a U.S. Holder as ordinary income at the time the interest is paid or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes. In addition to interest on the notes, a U.S. Holder would be required to include as income any Canadian withholding taxes and any additional amounts we may pay as a result of the imposition of Canadian withholding taxes. As a result, a U.S. Holder may be required to include more amounts in gross income than the amount of cash it actually receives. A U.S. Holder may be entitled to deduct or credit foreign withheld tax, subject to applicable limitations in the Code. For U.S. foreign tax credit purposes, interest income on a note generally will constitute foreign source income and be considered "passive income" or "financial services income" (or, if the applicable rate of Canadian withholding tax is 5% or more, interest on the notes will be treated as "high withholding tax interest"). The rules governing the foreign tax credit are complex and investors are urged to consult their tax advisors regarding the availability of the credit under their particular circumstances.

### ORIGINAL ISSUE DISCOUNT

It is not expected that the notes will be issued with original issue discount. If, however, the notes are issued with more than a de minimis amount of original issue discount, then such original issue discount would be treated for U.S. federal income tax purposes as accruing over the notes' term as interest income of the U.S. Holders. A U.S. Holder's adjusted tax basis in a note would be increased by the amount of any original issue discount included in its gross income. In compliance with United States Treasury regulations, if we determine that the notes have original issue discount, we will provide certain information to the IRS and/or U.S. Holders that is relevant to determining the amount of original issue discount in each accrual period.

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SALE, EXCHANGE OR RETIREMENT OF THE NOTES

Upon the sale, exchange or retirement of a note, a U.S. Holder generally will recognize a taxable gain or loss equal to the difference between the amount realized on such sale, exchange, retirement, or redemption (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as ordinary income) and the U.S. Holder's adjusted tax basis in the note. Such gain or loss generally will constitute a long term capital gain or loss if the note was held by such U.S. Holder for more than one year and otherwise will be short term capital gain or loss. Under current law, net capital gains of non-corporate taxpayers (including individuals) are, under some circumstances, taxed at lower rates than items of ordinary income. The deductibility of capital losses is subject to limitations. In the case of a U.S. Holder who is a United States resident (as defined in Section 865 of the Code), any such gain or loss will be treated as U.S. source, unless it is attributable to an office or other fixed place of business outside the United States and certain other conditions are met.

BACKUP WITHHOLDING AND INFORMATION REPORTING

In general, information reporting requirements will apply to payments of principal and interest on a note and payments of the proceeds of sale to U.S. Holders other than certain exempt recipients (such as corporations). In addition, a backup withholding tax may apply to such payments if such a U.S. Holder fails to provide an accurate taxpayer identification number or otherwise fails to comply with applicable requirements of the backup withholding rules. Any amounts withheld under those rules will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund to the extent it exceeds such liability. A U.S. Holder who does not provide a correct taxpayer identification number may be subject to penalties imposed by the IRS.

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UNDERWRITING

Subject to the terms and conditions stated in the underwriting agreement dated May , 2004, among us and each of the underwriters named below, for whom UBS Securities LLC is acting as representative, we have agreed to sell to the underwriters and each of the underwriters has severally agreed to purchase from us the principal amount of notes set forth opposite the underwriter's name.

| UNDERWRITER                              | PRINCIPAL AMOUNT<br>OF NOTES |
|--|------------------------------|
| -----                                    | -----                        |
| UBS Securities LLC.....                  | US\$                         |
| RBC Capital Markets Corporation.....     |                              |
| HSBC Securities (USA) Inc.....           |                              |
| NBF Securities (USA) Corp.....           |                              |
| TD Securities (USA) Inc.....             |                              |
| CIBC World Markets Corp.....             |                              |
| Lazard Freres & Co. LLC.....             |                              |
| Raymond James & Associates, Inc.....     |                              |
| Wells Fargo Brokerage Services, LLC..... |                              |

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Total..... US\$300,000,000  
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Lazard Freres & Co. LLC ("Lazard"), has entered into an agreement with Mitsubishi Securities (USA), Inc. ("Mitsubishi"), pursuant to which Mitsubishi provides certain advisory and/or other services to Lazard, including services in respect of this offering. In return for the provision of such services by Mitsubishi to Lazard, Lazard will pay to Mitsubishi a mutually agreed upon fee.

The underwriting agreement provides that the obligations of the underwriters to purchase the notes included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the notes if they purchase any of the notes. The closing of the offering is expected to be on or about , 2004.

The underwriters propose to offer some of the notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the notes to dealers at the public offering price less a concession not to exceed % of the principal amount of the notes. The underwriters may allow, and other such dealers may reallow, a commission not in excess of % of the principal amount of the notes on sales to other dealers. After the initial offering of the notes to the public, the representatives may change the public offering price and concessions.

The following table shows the underwriting commissions that we are to pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the notes).

|            | PAID BY PRECISION |
|------------|-------------------|
|            | -----             |
| Per note.. | %                 |

In connection with this offering, UBS Securities LLC, on behalf of the underwriters, may purchase and sell notes in the open market. These transactions may include over-allotment, syndicate coverings transactions and stabilizing transactions. Over-allotment involves syndicate sales of the notes in excess of the principal amount of the notes to be purchased by the underwriters in this offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of the notes made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when UBS Securities LLC, in covering syndicate short positions or making stabilizing purchases, repurchases notes originally sold by that syndicate member.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

The notes are a new issue of securities with no established trading market. The notes will not be listed on any securities exchange or on any

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automated dealer quotation system. The underwriters may make a market in the notes after completion of the offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

We estimate that our total expenses for this offering will be US\$ million.

We have agreed not to, prior to the closing of this offering, directly or indirectly, offer, sell, contract to sell or otherwise dispose of any debt securities which mature more than one year after the closing of this offering and which are substantially similar to the notes, without first obtaining the prior written consent of the representatives of the underwriters.

Some of the underwriters have performed investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business. Certain of the underwriters are affiliated with entities that are agents for and members of syndicates of lenders which made available revolving and term facilities to us.

Some of the underwriters are, directly or indirectly, a majority owned subsidiary of a bank that is currently a lender to us (the "Lenders") and we may be considered to be a connected issuer to each of the Lenders. We were indebted to the Lenders for approximately \$54.3 million as of April 30, 2004, under various credit facilities, representing approximately 11.8% of our total indebtedness as of that date. The net proceeds of the offering will be applied toward repayment of a portion of the additional indebtedness that we incurred pursuant to these credit facilities to finance the acquisitions of the land drilling business assets of GlobalSantaFe Corporation and all of the outstanding shares of Reeves Oilfield Services Ltd. We are in compliance with the terms of such credit facilities and none of the banks affiliated with the underwriters were involved in the decision to offer the notes or in the determination of the terms of the distributions of the notes. See "Use of Proceeds" in this prospectus supplement.

Because more than 10% of the proceeds of this offering, not including underwriting compensation, may be received by members or affiliates of members of the National Association of Securities Dealers, Inc. participating in this offering, this offering is being conducted in compliance with the NASD Conduct Rule 2710(h)(2).

The prospectus supplement and the prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, and Canadian provincial securities legislation.

### LEGAL MATTERS

Certain legal matters relating to Canadian law will be passed upon for us by Borden Ladner Gervais LLP, Calgary, Alberta, Canada. Certain legal matters relating to United States law will be passed upon for us by Paul, Weiss, Rifkind, Wharton & Garrison LLP, New York, New York. In addition, certain legal matters relating to United States law will be passed upon for the underwriters by Skadden, Arps, Slate, Meagher & Flom LLP, Toronto, Ontario, Canada and certain legal matters relating to Canadian law will be passed upon for the

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underwriters by Burnet Duckworth & Palmer LLP, Calgary, Alberta, Canada.

EXPERTS

The audited consolidated financial statements incorporated by reference in the prospectus have been so incorporated in reliance on the reports of KPMG LLP, Chartered Accountants, given on the authority of said firm as experts in auditing and accounting.

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BASE SHELF PROSPECTUS

(PRECISION DRILLING LOGO)

PRECISION DRILLING CORPORATION

US\$1,000,000,000

DEBT SECURITIES

COMMON SHARES

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We may offer for sale from time to time debt securities or common shares (collectively, the "Securities") up to an aggregate initial offering price of US\$1,000,000,000 (or the equivalent in other currencies or currency units) during the 25 month period that this prospectus, including any amendments hereto, remains effective. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying prospectus supplement.

We will provide the specific terms of these Securities and all information omitted from this prospectus in supplements to this prospectus. You should read this prospectus and any applicable prospectus supplement carefully before you invest.

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WE ARE PERMITTED, UNDER A MULTIJURISDICTIONAL DISCLOSURE SYSTEM ADOPTED BY THE UNITED STATES, TO PREPARE THIS PROSPECTUS IN ACCORDANCE WITH CANADIAN DISCLOSURE REQUIREMENTS, WHICH ARE DIFFERENT FROM THOSE OF THE UNITED STATES. WE PREPARE OUR FINANCIAL STATEMENTS IN ACCORDANCE WITH CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, AND THEY ARE SUBJECT TO CANADIAN AUDITING AND AUDITOR INDEPENDENCE STANDARDS. THEY MAY NOT BE COMPARABLE TO FINANCIAL STATEMENTS OF UNITED STATES COMPANIES.

OWNING THE SECURITIES MAY SUBJECT YOU TO TAX CONSEQUENCES BOTH IN THE UNITED STATES AND CANADA. THIS PROSPECTUS OR ANY APPLICABLE PROSPECTUS SUPPLEMENT MAY NOT DESCRIBE THESE TAX CONSEQUENCES FULLY. YOU SHOULD READ THE TAX DISCUSSION IN ANY APPLICABLE PROSPECTUS SUPPLEMENT.

YOUR ABILITY TO ENFORCE CIVIL LIABILITIES UNDER THE UNITED STATES FEDERAL SECURITIES LAWS MAY BE AFFECTED ADVERSELY BECAUSE WE ARE AMALGAMATED IN CANADA, MOST OF OUR OFFICERS AND DIRECTORS AND SOME OF THE EXPERTS NAMED IN THIS PROSPECTUS ARE CANADIAN RESIDENTS, AND MOST OF OUR ASSETS, THE ASSETS OF OUR DIRECTORS AND OFFICERS AND THE EXPERTS ARE LOCATED OUTSIDE THE UNITED STATES.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES

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COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

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May 17, 2004

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### ABOUT THIS PROSPECTUS

Except as set forth under "Description of Debt Securities", and unless the context requires otherwise all references in this prospectus and any prospectus supplement to "Precision", "we", "us" and "our" mean Precision Drilling Corporation and its consolidated subsidiaries and partnerships.

In this prospectus and in any prospectus supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars, references to "dollars" or "\$" are to Canadian dollars and references to "US\$" are to United States dollars. Unless otherwise indicated, all financial information included and incorporated by reference in this prospectus or included in any prospectus supplement is determined using Canadian generally accepted accounting principles, referred to as "Canadian GAAP". "U.S. GAAP" means generally accepted accounting principles which are in effect from time to time in the United States. For a discussion of the principal differences between our financial results as calculated under Canadian GAAP and under U.S. GAAP, you should refer to Note 15 of our audited consolidated financial statements for the year ended December 31, 2003, incorporated by reference into this prospectus.

This prospectus is part of a registration statement on Form F-10 relating to the Securities, that we filed with the U.S. Securities and Exchange Commission (the "SEC"). We may, from time to time, sell any combination of the Securities described in this prospectus in one or more offerings up to an aggregate amount of US\$1,000,000,000. This prospectus provides you with a general description of the Securities that we may offer. Each time we sell Securities under this prospectus, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. Before you invest, you should read both this prospectus and any applicable prospectus supplement, together with additional information described under the heading "Where You Can Find More Information". THIS PROSPECTUS DOES NOT CONTAIN ALL OF THE INFORMATION SET FORTH IN THE REGISTRATION STATEMENT, CERTAIN PARTS OF WHICH ARE OMITTED IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE SEC. YOU MAY REFER TO THE REGISTRATION STATEMENT AND THE EXHIBITS TO THE



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REGISTRATION STATEMENT FOR FURTHER INFORMATION WITH RESPECT TO US AND THE SECURITIES.

### WHERE YOU CAN FIND MORE INFORMATION

INFORMATION HAS BEEN INCORPORATED BY REFERENCE IN THIS PROSPECTUS FROM DOCUMENTS FILED WITH SECURITIES COMMISSIONS OR SIMILAR AUTHORITIES IN CANADA. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Precision, 4200, 150 - 6th Avenue S.W., Calgary, Alberta T2P 3Y7, Canada, telephone: (403) 716-4500. For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of Precision at the above-mentioned address and telephone number. These documents are also available through the internet via the System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at [www.sedar.com](http://www.sedar.com).

We file with the securities commission or authority in each of the provinces of Canada annual and quarterly reports, material change reports and other information. In addition, we are subject to the informational requirements of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act") and, in accordance with the Exchange Act, we also file reports with and furnish other information to the SEC. Under a multijurisdictional disclosure system adopted by the United States, these reports and other information (including financial

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information) may be prepared in accordance with the disclosure requirements of Canada, which differ from those in the United States. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required to publish financial statements as promptly as U.S. companies. You may read any document we furnish to the SEC at the SEC's public reference room at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. You may also obtain copies of the same documents from the public reference room of the SEC at 450 Fifth Street, N.W., Washington D.C. 20549 by paying a fee. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our filings are also electronically available from the SEC's Electronic Document Gathering and Retrieval System, which is commonly known by the acronym EDGAR, and which may be accessed at [www.sec.gov](http://www.sec.gov), as well as from commercial document retrieval services.

You are invited to read and copy any reports, statements or other information that we file with the Canadian provincial securities commissions or other similar regulatory authorities at their respective public reference rooms. These filings are also electronically available from SEDAR ([www.sedar.com](http://www.sedar.com)). Reports and other information about us are also available for inspection at the offices of the Toronto Stock Exchange.

Under applicable securities laws in Canada and the United States, the Canadian securities commissions and the SEC allow us to incorporate by reference certain information that we file with them, which means that we can disclose important information to you by referring you to those documents. Information that is incorporated by reference is an important part of this prospectus. We incorporate by reference the documents listed below, which were filed with the Canadian securities commissions under the Canadian securities legislation and

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with the SEC, and which form an integral part of this prospectus:

- (a) our Annual Information Form dated April 26, 2004 (including Management's Discussion and Analysis for the year ended December 31, 2003, incorporated therein by reference);
- (b) our audited comparative consolidated financial statements for the year ended December 31, 2003, including the auditors' report thereon;
- (c) our Management Information Circular dated April 6, 2004 relating to the annual and special meeting of our shareholders to be held on May 11, 2004, excluding those portions under the headings "Composition and Role of Compensation Committee, "Compensation Committee Report", "Common Share Performance - Toronto Stock Exchange", "Common Share Performance - New York Stock Exchange" and "Corporate Governance" (which portions shall be deemed not to be incorporated by reference in this prospectus); and
- (d) our unaudited comparative consolidated financial statements for the three months ended March 31, 2004 (including Management's Discussion and Analysis for the three months ended March 31, 2004).

Any documents of the type referred to above (including material change reports but excluding confidential material change reports) subsequently filed by us with securities commissions or similar authorities in the relevant provinces of Canada after the date of this prospectus and prior to the termination of the offering of Securities under any prospectus supplement shall be deemed to be incorporated by reference into this prospectus. These documents are available through the internet on SEDAR. In addition, any report filed or furnished by us with the SEC pursuant to Section 13(a), 13(c) or 15(d) of the Exchange Act after the date of this prospectus shall be deemed to be incorporated by reference into this prospectus and the registration statement of which this prospectus forms a part if and to the extent expressly provided in such report until all of the Securities are sold.

ANY STATEMENT CONTAINED IN THIS PROSPECTUS OR IN A DOCUMENT (OR PART THEREOF) INCORPORATED BY REFERENCE, OR DEEMED TO BE INCORPORATED BY REFERENCE, IN THIS PROSPECTUS SHALL BE DEEMED TO BE MODIFIED OR SUPERSEDED, FOR PURPOSES OF THIS PROSPECTUS, TO THE EXTENT THAT A STATEMENT CONTAINED IN THE PROSPECTUS OR IN ANY SUBSEQUENTLY FILED DOCUMENT (OR PART THEREOF) THAT ALSO IS, OR IS DEEMED TO BE, INCORPORATED BY REFERENCE IN THIS PROSPECTUS MODIFIES OR REPLACES SUCH STATEMENT. ANY STATEMENT SO MODIFIED OR SUPERSEDED SHALL NOT BE DEEMED, EXCEPT AS SO MODIFIED OR SUPERSEDED, TO CONSTITUTE PART OF THIS PROSPECTUS. THE MODIFYING OR SUPERSEDING STATEMENT NEED NOT STATE THAT IT HAS MODIFIED OR SUPERSEDED A PRIOR STATEMENT OR INCLUDE ANY OTHER INFORMATION SET FORTH IN THE DOCUMENT WHICH IT MODIFIES OR SUPERSEDES.

Updated interest coverage ratios will be filed quarterly with the applicable securities regulatory authorities, including the SEC, either as prospectus supplements or exhibits to our unaudited interim consolidated financial

statements and audited annual consolidated financial statements and will be deemed to be incorporated by reference in this prospectus for the purpose of the offering of the Securities.

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Upon a new annual information form and related annual consolidated financial statements being filed by us with, and where required, accepted by, the applicable securities regulatory authorities during the duration of this prospectus, the previous annual information form, the previous annual consolidated financial statements and all interim consolidated financial statements and the accompanying management's discussion and analysis, information circulars and material change reports filed prior to the commencement of our financial year in which the new annual information form is filed shall be deemed no longer to be incorporated into this prospectus for purposes of future offers and sales of Securities under this prospectus. Upon interim consolidated financial statements and the accompanying management's discussion and analysis being filed by us with the applicable securities regulatory authorities during the duration of this prospectus, all interim consolidated financial statements and the accompanying management's discussion and analysis filed prior to the new interim consolidated financial statements shall be deemed no longer to be incorporated into this prospectus for purposes of future offers and sales of Securities under this prospectus.

A prospectus supplement or prospectus supplements containing the specific terms for an issue of Securities will be delivered to purchasers of such Securities together with this prospectus and will be deemed to be incorporated by reference into this prospectus as of the date of such prospectus supplement but only for the purposes of the Securities issued thereunder.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS OR ANY APPLICABLE PROSPECTUS SUPPLEMENT AND ON THE OTHER INFORMATION INCLUDED IN THE REGISTRATION STATEMENT OF WHICH THIS PROSPECTUS FORMS A PART. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT OR ADDITIONAL INFORMATION. WE ARE NOT MAKING AN OFFER OF THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER IS NOT PERMITTED BY LAW. YOU SHOULD NOT ASSUME THAT THE INFORMATION IN THIS PROSPECTUS OR ANY APPLICABLE PROSPECTUS SUPPLEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THOSE DOCUMENTS.

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### FORWARD LOOKING STATEMENTS

Certain statements included in this prospectus and the documents incorporated by reference herein constitute forward looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 relating to, but not limited to, our operations, anticipated financial performance, business prospects and strategies. Forward looking statements typically contain statements with words such as "could", "should", "expect", "estimate", "likely", "believe", "will" and similar expressions, including, but not limited to, statements as to: future capital expenditures, including the amount and nature thereof; oil and gas prices and demand; expansion and other development trends of the oil and gas industry; business strategy; expansion and growth of our business and operations, including our marketshare and position in the domestic and international drilling markets; and beliefs, plans, objectives, assumptions or statements about future events or performance.

You are cautioned not to place undue reliance on forward looking statements. By their nature, forward looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predicted outcomes will not occur. These factors include, but are not limited to:

- o general economic, business and market conditions including

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- stock market volatility;
- o volatility of crude oil, natural gas and natural gas liquids prices;
- o fluctuations in currency and interest rates;
- o competition;
- o risks inherent in foreign operations, including political and economic risk;
- o risks of war, hostilities, civil insurrection and terrorist threats;
- o fluctuations in the level of oil and gas exploration and development activities;
- o fluctuations in the demand for well servicing, contract drilling, directional drilling, well logging and ancillary oilfield services;
- o technological changes and developments in the oil and gas industry;
- o the ability of oil and gas companies to raise capital;
- o the effects of severe and seasonal weather conditions on operations and facilities;
- o the existence of operating risks inherent in well servicing, contract drilling, directional drilling, well logging and ancillary oilfield services;
- o political circumstances impeding the progress of work in any of the countries in which we do business;
- o identifying and acquiring suitable acquisition targets on reasonable terms;
- o changes in laws or regulations, including taxation, environmental and currency regulations;
- o the lack of availability of qualified personnel or management;
- o our ability to either generate sufficient cash flow to meet current and future obligations or to obtain external debt or equity financing;
- o our ability to make capital investments and the amounts thereof; and
- o risks associated with existing and potential future lawsuits and regulatory actions against us.

We caution that the foregoing list of important factors is not exhaustive. Events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward looking statements. You should also carefully consider the matters discussed under "Risk Factors" in the prospectus. We do not undertake any obligation to update publicly or otherwise revise any forward looking statements, whether as a result of new information, future events or otherwise,

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or the foregoing list of factors affecting this information.

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### RISK FACTORS

YOU SHOULD CONSIDER CAREFULLY THE RISK FACTORS SET FORTH BELOW AS WELL AS THE OTHER INFORMATION CONTAINED IN AND INCORPORATED BY REFERENCE IN THIS PROSPECTUS AND IN THE APPLICABLE PROSPECTUS SUPPLEMENT BEFORE PURCHASING THE SECURITIES. IF ANY EVENT ARISING FROM THESE RISKS OCCURS, OUR BUSINESS, PROSPECTS, FINANCIAL CONDITION, RESULTS OF OPERATION OR CASH FLOWS COULD BE MATERIALLY ADVERSELY AFFECTED. ADDITIONAL RISKS AND UNCERTAINTIES NOT CURRENTLY KNOWN TO US OR THAT WE CURRENTLY DEEM TO BE IMMATERIAL MAY ALSO MATERIALLY ADVERSELY AFFECT OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS. CERTAIN STATEMENTS UNDER THIS CAPTION CONSTITUTE FORWARD LOOKING STATEMENTS. SEE "FORWARD LOOKING STATEMENTS."

OUR OPERATIONS ARE DEPENDENT ON THE PRICES OF OIL AND GAS A DECLINE OF EITHER OF WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON US.

Our revenue, cash flow and earnings are substantially dependent upon, and affected by, the level of activity associated with oil and gas exploration and production. Both short-term and long-term trends in oil and gas prices affect the level of such activity. Oil and gas prices and, therefore, the level of drilling, exploration and production activity have been volatile over the past few years and likely will continue to be volatile. Worldwide military, political and economic events, including initiatives by the Organization of Petroleum Exporting Countries, may affect both the demand for, and the supply of, oil and gas. Weather conditions, governmental regulation (both in Canada and elsewhere), levels of consumer demand, the availability of pipeline capacity, and other factors beyond our control may also affect the supply of and demand for oil and gas and thus lead to future price volatility. We believe that any prolonged reduction in oil and gas prices would depress the level of exploration and production activity. This would likely result in a corresponding decline in the demand for our services and could have a material adverse effect on our revenues, cash flows and profitability. Lower oil and gas prices could also cause our customers to seek to terminate, renegotiate or fail to honour our drilling contracts; affect the fair market value of our rig fleet which in turn could trigger a writedown for accounting purposes; affect our ability to retain skilled rig personnel; and affect our ability to obtain access to capital to finance and grow our businesses. We cannot assure you that the future level of demand for our services or future conditions in the oil and gas and oilfield services industries will not decline.

WE OPERATE IN A COMPETITIVE INDUSTRY.

The oilfield services industry in which we operate is, and will continue to be, very competitive. Contract drilling companies compete primarily on a regional basis, and competition may vary significantly from region to region at any particular time. Most drilling and workover contracts are awarded on the basis of competitive bids, which results in price competition. Many drilling, workover and well-servicing rigs can be moved from one region to another in response to changes in levels of activity, which can result in an oversupply of rigs in an area. In many markets in which we operate, the supply of rigs exceeds the demand for rigs, resulting in further price competition.

Certain competitors are present in more than one of the regions in which we operate, although no one competitor operates in all of these areas. In the United States there are several hundred competitors with national, regional or local rig operations. In Canada we compete with several firms of varying

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size. Internationally, we compete directly with various competitors at each location where we operate and some of our international competitors may be better positioned in certain markets, allowing them to compete more effectively. We cannot assure you that we will be able to continue to compete successfully or that the level of competition and pressure on pricing will not affect our margins.

OUR OPERATIONS ARE SUBJECT TO BUSINESS INTERRUPTION AND CASUALTY LOSSES FOR WHICH WE MAY NOT HAVE ADEQUATE INSURANCE.

Our operations are subject to many hazards inherent in the drilling, workover and well-servicing industries, including blowouts, cratering, explosions, fires, loss of well control, loss of hole, damaged or lost drilling equipment and damage or loss from inclement weather or natural disasters. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage and damage to the property of others. Generally, drilling contracts provide for the division of responsibilities between a drilling company and its customer, and we seek to obtain indemnification from our customers by contract for certain of these risks. To the extent that we are unable to transfer such risks to customers

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by contract or indemnification agreements, we seek protection through insurance. However, we cannot assure you that such insurance or indemnification agreements will adequately protect us against liability from all of the consequences of the hazards described above. The occurrence of an event not fully insured or indemnified against, or the failure of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses. In addition, we cannot assure you that insurance will be available to cover any or all of these risks, or, even if available, that it will be adequate or that insurance premiums or other costs will not rise significantly in the future, so as to make such insurance prohibitive. This is particularly of concern in the wake of the September 11 terrorist attacks, which have resulted in significantly increased insurance costs, deductibles and coverage restrictions. In future insurance renewals we may choose to increase our self insurance retentions (and thus assume a greater degree of risk) in order to reduce insurance premiums.

WE ARE EXPOSED TO RISKS INHERENT IN FOREIGN OPERATIONS WHICH COULD NEGATIVELY AFFECT OUR RESULTS OF OPERATIONS.

We conduct a portion of our business outside North America, including the Middle East, Africa and South America. We are subject to risks inherent in foreign operations, such as: loss of revenue, property and equipment as a result of expropriation, nationalization, war, terrorist threats, civil insurrection and other political risks; fluctuations in foreign currency and exchange controls; increases in duties, taxes and governmental royalties and renegotiation of contracts with governmental entities; as well as changes in laws and policies governing operations of foreign-based companies. In addition, in the international markets in which we operate, we are subject to various laws and regulations that govern the operation and taxation of our businesses and the import and export of our equipment from country to country, the imposition, application and interpretation of which can prove to be uncertain. Since we derive a portion of our revenues from subsidiaries outside of Canada, the payment of dividends or the making of other cash payments or advances by these subsidiaries to us may be subject to restrictions or exchange controls on the transfer of funds in or out of the respective countries or result in the imposition of taxes on such payments or advances. We have organized our foreign operations in part based on certain assumptions about various tax laws

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(including capital gains and withholding taxes), foreign currency exchange and capital repatriation laws and other relevant laws of a variety of foreign jurisdictions. While we believe that such assumptions are reasonable, we cannot assure you that foreign taxing or other authorities will reach the same conclusion. Further, if such foreign jurisdictions were to change or modify such laws, we could suffer adverse tax and financial consequences.

OUR BUSINESS IS SUBJECT TO ENVIRONMENTAL LEGISLATION IN ALL JURISDICTIONS IN WHICH WE OPERATE AND ANY CHANGES IN SUCH LEGISLATION COULD NEGATIVELY AFFECT OUR RESULTS OF OPERATIONS.

Our operations are subject to numerous laws, regulations and guidelines governing the management, transportation and disposal of hazardous substances and other waste materials and otherwise relating to the protection of the environment and health and safety. These laws, regulations and guidelines include those relating to spills, releases, emissions and discharges of hazardous substances or other waste materials into the environment, requiring removal or remediation of pollutants or contaminants and imposing civil and criminal penalties for violations. Some of the laws, regulations and guidelines that apply to our operations also authorize the recovery of natural resource damages by the government, injunctive relief and the imposition of stop, control, remediation and abandonment orders. The costs arising from compliance with such laws, regulations and guidelines may be material to us.

The trend in environmental regulation has been to impose more restrictions and limitations on activities that may impact the environment, including the generation and disposal of wastes and the use and handling of chemical substances. These restrictions and limitations have increased operating costs for both us and our customers. Any regulatory changes that impose additional environmental restrictions or requirements on us or our customers could adversely affect us through increased operating costs and potential decreased demand for our services.

While we maintain liability insurance, including insurance for environmental claims, the insurance is subject to coverage limits and certain of our policies exclude coverage for damages resulting from environmental contamination. There can be no assurance 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 our insurance, or that the dollar amount of such liabilities will not exceed our policy limits. Even a partially uninsured claim, if

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successful and of sufficient magnitude, could have a material adverse effect on our business, results of operations and prospects.

OUR BUSINESS IS SEASONAL AND IS INFLUENCED BY WEATHER PATTERNS.

In Canada, the level of activity in the oilfield service industry is influenced by seasonal weather patterns. During the spring months, wet weather and the spring thaw make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels and placing an increased level of importance on the location of our equipment prior to imposition of the road bans. Additionally, certain oil and gas producing areas are located in sections of the Western Canadian Sedimentary Basin that are inaccessible, other than during the winter months, because the ground surrounding or containing the drilling sites in these areas consists of terrain known as muskeg. Until the muskeg freezes, the rigs and other necessary

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equipment cannot cross the terrain to reach the drilling site. Moreover, once the rigs and other equipment have been moved to a drilling site, they may become stranded or otherwise unable to relocate to another site should the muskeg thaw unexpectedly. Our financial results depend, at least in part, upon the severity and duration of the Canadian winter.

WE INCUR SIGNIFICANT EXPENDITURES ON RESEARCH AND DEVELOPMENT EFFORTS TO OFFER ADVANCED TECHNOLOGY TO OUR CUSTOMERS.

The continued development and growth of our Technology Services segment is dependent on the success of our research and development efforts. A number of new products have been commercialized and others are progressing to that stage. Of particular note is the Rotary Steerable tool currently under development. The research and engineering team is focusing on issues related to the reliability of tool performance and increasing the mean time between physical failures.

The Rotary Steerable tool is a key component of the new suite of down hole tools being introduced to the market by the Technology Services segment and as such is important to the continued growth of the segment's business worldwide. However, as with any research efforts, we cannot assure you that this new product will be successfully developed and marketed.

The carrying value of Technology Services long-lived assets is reviewed annually for impairment with the assistance of independent valuation experts. The most recent review was completed in the fourth quarter of 2003 at which time it was concluded that there was no impairment of the carrying value. Should the segment's research and development efforts not be successful, assumptions with respect to the growth of the business may change such that a write-down of long-lived assets would be necessary.

WE ARE EXPOSED TO CURRENCY EXCHANGE RISK WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR OPERATING RESULTS.

Although our financial results are reported in Canadian dollars, a portion of our sales and operating costs are denominated in U.S. dollars. In addition, we are exposed to currency exchange risk on those of our assets denominated in U.S. dollars. Since we present our financial statements in Canadian dollars, any change in the value of the Canadian dollar relative to the U.S. dollar during a given financial reporting period would result in a foreign currency loss or gain on the translation of our U.S. dollar assets into Canadian dollars. Consequently, our reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses. While it is not our normal practice to enter into significant hedging arrangements, we may use futures and forward contracts to partially hedge against short-term fluctuations in currency; however, such activities provide only short-term protection against a limited portion of our currency exposure. We may, from time to time, hedge a portion of our net exchange rate exposure by way of one or more swap transactions to Canadian dollars, to the extent our management considers it reasonable to do so having regard to the then prevailing levels of our net assets denominated in U.S. dollars and our U.S. dollar revenues, and to the extent available on reasonable terms; however, such activities provide only short-term protection and we cannot assure you that such transactions will be effective in insulating us against exchange rate fluctuations.

YOUR ABILITY TO ENFORCE CIVIL LIABILITIES IN CANADA UNDER U.S. SECURITIES LAWS MAY BE LIMITED.

We are incorporated under the laws of Canada and a substantial portion of our assets are located in Canada. Most of our directors and officers reside in Canada and most of their assets are located in Canada. It may not be



possible, therefore, for you to effect service of process within the United States upon us or our directors and officers. There is uncertainty as to the enforceability (1) in an original action in Canadian courts of liabilities predicated solely upon United States federal securities laws and (2) of judgments of United States courts obtained in actions predicated upon the civil liability provisions of United States federal securities laws in Canadian courts. Therefore, you may not be able to secure judgment against us or our directors and officers in a Canadian court or, if successful in securing a judgment against us or them in a U.S. court, you may not be able to enforce such judgment in Canada.

#### PRECISION DRILLING CORPORATION

We provide oilfield and industrial services to customers in Canada, the United States and other international regions. Our principal business is the provision of land drilling services to oil and gas exploration and production companies. We are the leading provider in Canada of land drilling services based on the number of wells and metres drilled. Additionally, we provide the following: well service rigs and hydraulic well assist snubbing units; procurement and distribution of oilfield supplies; camp and catering services; manufacture, sale and repair of drilling equipment; open hole logging, cased hole logging and completion services, slickline services, directional drilling services; measurement-while-drilling and logging-while-drilling services; the manufacture, rental and sale of polycrystalline diamond compact drill bits; controlled pressure drilling services and well testing services; rental of mobile combination office and industrial housing; rental of surface oilfield equipment for drilling, completion and production activities; and we also provide industrial maintenance and turnaround services, including specialized equipment and labour services, to downstream oil and gas, petrochemical and other process industry customers.

We have grown primarily through a series of acquisitions of related businesses as well as reinvestment in our core business to become the largest Canadian integrated oilfield service contractor. We have reinvested cash flow from operations to grow our service and product offerings.

Our principal executive and registered offices are located at 4200, 150 - 6th Avenue S.W., Calgary, Alberta, Canada T2P 3Y7.

#### USE OF PROCEEDS

Unless otherwise indicated in the applicable prospectus supplement relating to an offering of Securities, we will use the net proceeds we receive from the sale of Securities for general corporate purposes relating to our operations in North America, South America and Europe that may include capital expenditures, the repayment of indebtedness and the financing of acquisitions. The amount of net proceeds to be used for any such purpose will be described in an applicable prospectus supplement.

#### INTEREST COVERAGE

The following consolidated financial ratios are calculated for the twelve month periods ended December 31, 2003 and March 31, 2004, based on audited, in the case of December 31, 2003, and unaudited, in the case of March 31, 2004, financial information. The interest coverage ratios set out below have been prepared and included in this prospectus in accordance with Canadian disclosure requirements and have been calculated based on information prepared in accordance with Canadian GAAP.

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|                                      | DECEMBER 31,<br>2003 | MARCH 31,<br>2004 |
|--------------------------------------|----------------------|-------------------|
|                                      | -----                | -----             |
| Interest coverage on long-term debt: |                      |                   |
| Earnings.....                        | 8.07 times           | 9.47 times        |
| Cash flow.....                       | 9.79 times           | 13.31 times       |

Interest coverage on long-term debt on an earnings basis is equal to earnings before interest and income tax expense divided by interest expense. Interest coverage on long-term debt on a cash flow basis is equal to cash flow from operations before interest expense and current income tax expense divided by interest expense. For purposes of calculating the interest coverage ratios set forth in this prospectus, long-term debt includes the current portion of long-term debt.

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### DESCRIPTION OF DEBT SECURITIES

In this section, "we", "us", "our" or "Precision" refers only to Precision Drilling Corporation and not any of its subsidiaries or interests in partnerships and other entities. The following description sets forth certain general terms and provisions of the debt securities. We will provide the particular terms and provisions of a series of debt securities and a description of how the general terms and provisions described below apply to that series in a prospectus supplement. Accordingly, for a description of the terms of a particular series of debt securities, you must refer to both the applicable prospectus supplement relating to the series and the description of the debt securities set forth in this prospectus.

The debt securities will be issued under an indenture (the "Indenture") to be entered into between us and The Bank of Nova Scotia Trust Company of New York, as trustee (the "Trustee"). The Indenture will be subject to and governed by the U.S. Trust Indenture Act of 1939, as amended. A copy of the form of Indenture has been filed with the SEC as an exhibit to the registration statement of which this prospectus is a part.

The following is a summary of the Indenture which sets forth certain general terms and provisions of the debt securities and is not intended to be complete. For a more complete description, including the definition of capitalized terms used but not defined in this summary, you should refer to the Indenture. Whenever we refer in this summary to particular provisions of the Indenture, those provisions are qualified in their entirety by reference to the Indenture. It is the Indenture, and not this summary, that governs the rights of holders of debt securities.

We may from time to time issue debt securities and incur additional indebtedness other than through an offering of debt securities under this prospectus.

#### GENERAL

The Indenture does not limit the aggregate principal amount of debt securities (which may include debentures, notes and other evidences of indebtedness) that we may issue under the Indenture and does not limit the amount of other indebtedness we may incur. The Indenture provides that debt securities may be issued from time to time in one or more series and may be denominated and payable in U.S. dollars or any other currency. Special Canadian and United States Federal income tax considerations applicable to any debt securities so denominated will be described in the prospectus supplement

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relating thereto. Unless otherwise indicated in an applicable prospectus supplement, the debt securities will be unsecured obligations. The debt securities offered pursuant to this prospectus will be issued in an aggregate principal amount of up to US\$1,000,000,000 or the equivalent in a foreign currency. The Indenture also permits us to increase the principal amount of any series of the debt securities previously issued and to issue that increased principal amount.

The applicable prospectus supplement will describe the specific terms of the debt securities being offered and may include, but is not limited to, any of the following:

- o the title and the aggregate principal amount of the debt securities;
  - o any limit on the aggregate principal amount of the debt securities of such series;
  - o the date or dates, or the method by which such date or dates will be determined or extended, on which the principal of, and premium, if any, on the debt securities will be payable and the portion (if less than the principal amount) to be payable upon a declaration of acceleration of maturity;
  - o the rate or rates (whether fixed or variable) at which the debt securities will bear interest, if any, or the method by which such rate or rates will be determined and the date or dates from which such interest will accrue and on which such interest will be payable and the regular record date or dates for the payment of interest on the debt securities in registered form, or the method by which such date or dates will be determined;
  - o the place or places where the principal of, and premium, if any, and interest, if any, on the debt securities will be payable and each office or agency where the debt securities may be presented for registration of transfer or exchange;
  - o the period or periods within which, the price or prices at which, the currency in which, and other terms and conditions upon which the debt securities may be redeemed or purchased, in whole or in part, by us;
  - o the terms and conditions upon which you may redeem the debt securities prior to maturity and the price or prices at which and the currency in which the debt securities are payable;
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- o the terms, if any, on which the debt securities may be converted or exchanged for other of our debt securities or debt securities of other entities;
  - o if payment of the debt securities will be guaranteed by any other person;
  - o the extent and manner, if any, in which payment on or in respect of the debt securities will be secured, or will rank senior, or will be subordinated to the prior payment of our

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- other liabilities and obligations;
- o if the series of debt securities will be issuable in the form of one or more global securities and, if so, the identity of the depository for the global securities;
- o any applicable Canadian and U.S. federal income tax consequences;
- o the terms and conditions of any sinking fund or analogous provisions;
- o if the debt securities may be issued bearing no interest or at a discount below their stated principal amount, and special considerations applicable to any such discounted debt securities or other debt securities offered and sold at par which are treated as having been issued at a discount for Canadian and/or U.S. federal income tax purposes;
- o if the debt securities are to be registered securities, bearer securities (with or without coupons) or both;
- o if other than denominations of US\$1,000 and any integral multiple thereof, the denomination or denominations in which any definitive securities of the series shall be issuable and, if other than the denomination of US\$1,000, the denomination or denominations in which any bearer debt securities of the series shall be issuable;
- o if other than U.S. dollars, the currency or currency unit in which the debt securities are denominated or in which currency payment of the principal of, and premium, if any, or interest, if any, on such debt securities will be payable;
- o any index formula or other method used to determine the amount of payments of principal of, and premium, if any, or interest, if any, on the debt securities;
- o whether and under what circumstances we will be required to pay any Additional Amounts (defined below under "Additional Amounts") for withholding or deduction for Canadian taxes with respect to the debt securities, and whether we will have the option to redeem the debt securities rather than pay the Additional Amounts; and
- o any other terms, conditions, rights and preferences (or limitations on such rights and preferences) of the debt securities including covenants and events of default which apply solely to a particular series of the debt securities being offered which do not apply generally to other debt securities, or any covenants or events of default generally applicable to the debt securities which do not apply to a particular series of the debt securities.

Unless otherwise indicated in the applicable prospectus supplement, the Indenture does not afford holders of the debt securities the right to tender such debt securities to us for repurchase in the event we experience a change in control.

### RANKING AND OTHER INDEBTEDNESS

Unless otherwise indicated in any applicable prospectus supplement, the

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debt securities will be our unsecured senior obligations and will rank equally and ratably with all of our other unsecured senior indebtedness from time to time outstanding. Unless otherwise indicated in any applicable prospectus supplement, the debt securities will be structurally subordinated to all existing and future liabilities, including trade payables and other indebtedness, of our subsidiaries, partnerships and other entities. We will specify in a prospectus supplement at the time we issue a series of debt securities the amount of our subsidiaries' and partnerships' then existing liabilities, including trade payables and other indebtedness.

### DEBT SECURITIES IN GLOBAL FORM

Unless otherwise indicated in a prospectus supplement, a series of the debt securities will be issued in global form as one or more "global securities" and will be registered in the name of and be deposited with a depository, or its nominee, each of which will be identified in the prospectus supplement relating to that series. Unless and

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until exchanged, in whole or in part, for debt securities in definitive form, a global security may not be transferred except as a whole by the depository for such global security to a nominee of the depository, by a nominee of the depository to the depository or another nominee of the depository or by the depository or any such nominee to a successor of the depository or a nominee of the successor.

The specific terms of the depository arrangement with respect to any series or portion of a series of the debt securities to be represented by a global security will be described in the prospectus supplement relating to such series. We anticipate that the following provisions will apply to all depository arrangements.

Upon the issuance of a global security, the depository therefor or its nominee will credit, on its book entry and registration system, the respective principal amounts of the debt securities represented by the global security to the accounts of such persons, designated as "participants", having accounts with such depository or its nominee. Such accounts shall be designated by the underwriters, dealers or agents participating in the distribution of the debt securities or by us if such debt securities are offered or sold directly by us. Ownership of beneficial interests in a global security will be limited to participants or persons that may hold beneficial interests through participants. Ownership of beneficial interests in a global security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the depository therefor or its nominee (with respect to beneficial interests of participants) or by participants or persons that hold through participants (with respect to beneficial interests of persons other than participants).

So long as the depository for a global security or its nominee is the registered owner of the global security, such depository or such nominee, as the case may be, will be considered the sole owner or holder of the debt securities represented by the global security for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a global security will not be entitled to have a series of the debt securities represented by the global security registered in their names, will not receive or be entitled to receive physical delivery of such series of the debt securities in definitive form and will not be considered the owners or holders thereof under the Indenture.

The laws of some states in the United States require that certain purchasers of debt securities take physical delivery of such debt securities in

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definitive form. These depositary arrangements and these laws may impair the ability to transfer beneficial interests in a global security.

Any payments of principal, and premium, if any, and interest, if any, on a global security registered in the name of a depositary or its nominee will be made to the depositary or its nominee, as the case may be, as the registered owner of the global security representing such debt securities. None of us, the Trustee or any paying agent for the debt securities represented by the global security will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that the depositary for a global security or its nominee, upon receipt of any payment of principal, and premium, if any, or interest, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global security as shown on the records of such depositary or its nominee. We also expect that payments by participants to owners of beneficial interests in a global security held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name", and will be the responsibility of such participants.

If a depositary for a global security representing a particular series of the debt securities is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by us within 90 days, we will issue such series of debt securities in definitive form in exchange for the global security representing such series of debt securities. In addition, we may at any time and in our sole discretion determine not to have a series of debt securities represented by a global security and, in such event, will issue a series of debt securities in definitive form in exchange for the global security representing such series of debt securities.

### DEBT SECURITIES IN DEFINITIVE FORM

If indicated in a prospectus supplement, the debt securities may be issued in definitive form without coupons or in bearer form with or without coupons, or in both forms. Debt securities in definitive form may be presented for exchange and for registration of transfer in the manner, at the places and, subject to the restrictions set forth in

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the Indenture and in the applicable prospectus supplement, without service charge, but upon payment of any taxes or other governmental charges due in connection therewith. We have initially appointed the Trustee as security registrar. Debt securities in bearer form and the coupons appertaining thereto, if any, will be transferable by delivery.

Unless otherwise indicated in a prospectus supplement, payment of principal, and premium, if any, and interest on any debt securities in definitive form will be made at the office or agency of the Trustee, at One Liberty Plaza, 23rd Floor, New York, New York 10006, or at our option we can pay principal and any premium and interest on the debt securities by (1) check mailed or delivered to the address of the person entitled to receive payments appearing in the security register of the Trustee or (2) wire transfer to an account in the United States of the person entitled to receive payments if such person is a holder of US\$1.0 million or more in aggregate principal amount of the debt securities of a particular series.

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### COVENANTS

#### LIMITATION ON LIENS

The Indenture includes a covenant of Precision to the effect that, so long as any debt securities are outstanding and subject to the provisions of the Indenture, Precision will not, and will not permit any Restricted Subsidiary to, create, incur, assume or otherwise have outstanding any Security Interest in, on or over any of its or their interest in any property, present or future, securing any Indebtedness of any person, other than Permitted Encumbrances, unless at the time thereof or prior thereto the debt securities then outstanding under the Indenture are equally and ratably secured with such Indebtedness for so long as such Indebtedness is so secured.

#### CONSOLIDATION, AMALGAMATION, MERGER AND SALE OF ASSETS

The Indenture includes a covenant of Precision to the effect that it may not in a single transaction or a series of transactions consolidate or amalgamate with or merge with or into or enter into any statutory arrangement with any other corporation, or, directly or indirectly, convey, transfer, sell, lease or otherwise dispose of all or substantially all of its property to any person, unless:

- o the entity formed by or continuing from such consolidation or amalgamation or into which Precision is merged or with which Precision enters into such arrangement, or the person which acquires or leases all or substantially all of Precision's property, is organized and existing under the laws of the United States, any state thereof or the District of Columbia, the laws of Canada or any province or territory thereof, or, if such consolidation, amalgamation, merger, arrangement or other transaction would not impair the rights of holders of the debt securities, in any other jurisdiction, PROVIDED THAT, if such successor entity is organized under the laws of a jurisdiction other than Canada or the United States, the successor entity assumes our obligations under the debt securities and the Indenture to pay Additional Amounts, substituting the name of such successor jurisdiction for Canada in each place that Canada appears in "Description of Debt Securities--Additional Amounts", below and submits to the jurisdiction of U.S. federal and state courts in the manner and to the extent provided in the Indenture;
- o the successor entity expressly assumes or assumes by operation of law all of Precision's obligations under the debt securities and under the Indenture;
- o immediately after giving effect to such transaction, no event of default, and no event which, after notice or lapse of time or both, would become an event of default, shall have happened and be continuing; and
- o an officer's certificate and legal opinion covering such conditions will be delivered to the Trustee.

If, as a result of any such transaction, any property of Precision or any Restricted Subsidiary becomes subject to a Security Interest, then, unless such Security Interest could be created pursuant to the Indenture provisions described under the "LIMITATION ON LIENS" covenant above without equally and ratably securing the debt securities, Precision or such Restricted Subsidiary, simultaneously with or prior to such transaction, will cause the debt securities

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to be secured equally and ratably with or prior to the Indebtedness secured by such Security Interest.

### CERTAIN DEFINITIONS

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms.

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"CAPITAL LEASE OBLIGATION" means the obligation of a person, as lessee, to pay rent or other amounts to the lessor under a lease of property which is required to be classified and accounted for as a capital lease on the consolidated balance sheet of such person in accordance with GAAP.

"CONSOLIDATED NET TANGIBLE ASSETS" means the total amount of assets of any person on a consolidated basis (less applicable reserves and other properly deductible items) after deducting therefrom:

- o all current liabilities (excluding any current liabilities which are by their terms extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed);
- o all goodwill, trade names, trademarks, patents, unamortized debt discounts and expenses and other like intangibles; and
- o appropriate adjustments on account of minority interests of other persons holding shares of the subsidiaries of such person,

in each case, as shown on the most recent annual audited or quarterly unaudited consolidated balance sheet of such person computed in accordance with GAAP.

"CURRENT ASSETS" means current assets as determined in accordance with GAAP.

"FINANCIAL INSTRUMENT OBLIGATIONS" means obligations (entered into for risk management and not for speculative purposes) arising under:

- o interest rate swap agreements, forward rate agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into by a person relating to interest rates or pursuant to which the price, value or amount payable thereunder is dependent or based upon interest rates in effect from time to time or fluctuations in interest rates occurring from time to time;
- o currency swap agreements, cross-currency agreements, forward agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into by a person relating to currency exchange rates or pursuant to which the price, value or amount payable thereunder is dependent or based upon currency exchange rates in effect from time to time or fluctuations in currency exchange rates occurring from time to time; and



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- o commodity swap or hedging agreements, floor, cap or collar agreements, commodity futures or options or other similar agreements or arrangements, or any combination thereof, entered into by a person relating to one or more commodities or pursuant to which the price, value or amount payable thereunder is dependent or based upon the price of one or more commodities in effect from time to time or fluctuations in the price of one or more commodities occurring from time to time.

"GAAP" means generally accepted accounting principles in Canada in effect from time to time, unless Precision's most recent audited or quarterly unaudited financial statements are not prepared in accordance with generally accepted accounting principles in Canada, in which case GAAP shall mean generally accepted accounting principles in the United States in effect from time to time.

"INDEBTEDNESS" means liability for money borrowed or accrued and unpaid interest thereon, obligations for payment of money under any Capital Lease Obligation and any guarantees (without duplication);

"ISSUE DATE" means the date that any series of debt securities is first issued under the Indenture.

"NON-RECOURSE DEBT" means Indebtedness to finance the creation, development, construction or acquisition of assets and any increases in or extension, renewals or refundings of such Indebtedness, provided that the recourse of the lender thereof (including any agent, trustee, receiver or other person acting on behalf of such entity) in respect of such Indebtedness is limited in all circumstances to the assets created, developed, constructed or acquired in respect of which such Indebtedness has been incurred and to the receivables, inventory, equipment, chattels payable, contracts, intangibles and other assets, rights or collateral connected with the assets created, developed, constructed or acquired and to which such lender has recourse;

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"PERMITTED ENCUMBRANCES" means:

- o any Security Interest existing as of the Issue Date;
- o any Security Interest to secure a Purchase Money Obligation, provided that the Security Interest does not extend to any property other than the property acquired, constructed or improved;
- o any Security Interest existing on the property of any person immediately prior to the time that (i) such person becomes a Restricted Subsidiary, or (ii) such person is merged with or into, liquidated into, or amalgamated or consolidated with Precision or a Restricted Subsidiary, PROVIDED that such Security Interest was not incurred in anticipation of such person becoming a Restricted Subsidiary or of such merger, liquidation, amalgamation or consolidation, and PROVIDED FURTHER that such Security Interest does not extend to any property other than the property of such person secured by such Security Interest immediately prior to the time that such person becomes a Restricted Subsidiary or the time of such merger, liquidation, amalgamation or consolidation;

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- o any Security Interest existing on property at the time of acquisition (including by way of lease) by Precision or a Restricted Subsidiary, provided that such Security Interest was not incurred in anticipation of the financing of such acquisition;
- o any Security Interest on property acquired by Precision or a Restricted Subsidiary after the Issue Date given in connection with a Capital Lease Obligation;
- o any Security Interest in favour of Precision or any Restricted Subsidiary;
- o any Security Interest in Current Assets given to secure any Indebtedness repayable on demand or maturing, including any right of extension or renewal, within 12 months after the date such Indebtedness is incurred;
- o any Security Interest granted in connection with Financial Instrument Obligations;
- o any Security Interest on cash or securities deposited with a trustee or collateral agent to defease Indebtedness secured by such Security Interest;
- o any Security Interest referred to in the foregoing clauses or this clause securing any extension, renewal, alteration or replacement of all or part of any Indebtedness secured by such Security Interest, PROVIDED THAT:
  - o the principal amount of such Indebtedness is not increased by an amount exceeding the cost of such extension, renewal, alteration or replacement, including but not limited to all fees and expenses incurred in connection therewith; and
  - o the Security Interest is limited to all or part of the property which secured the Indebtedness prior to it being extended, renewed, altered or replaced, plus improvements on such property and the proceeds thereof and all rights associated therewith; and
- o any Security Interest that would otherwise be prohibited, provided that the aggregate of all Indebtedness outstanding and secured under this clause does not (calculated at the time of the granting of the Security Interest) exceed an amount equal to 10% of Consolidated Net Tangible Assets.

"PERSON" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof;

"PURCHASE MONEY OBLIGATION" means any Indebtedness incurred in respect of, and not exceeding, the cost of acquisition of any property or of the cost of construction or improvements (but not costs of refurbishment) of any property acquired, constructed or improved after the Issue Date, which Indebtedness existed at the time of acquisition or was created, issued, incurred, assumed or guaranteed contemporaneously with the acquisition, construction or improvement or within 180 days after the completion thereof;

"RESTRICTED SUBSIDIARY" means, on any date, any Subsidiary of

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Precision; provided, however, such term shall not include a Subsidiary of Precision if the amount of Precision's share of shareholders' equity of such Subsidiary constitutes, at the time of determination, less than 2% of Precision's Consolidated Net Tangible Assets;

"SECURITY INTEREST" means with respect to any property, any security by way of an assignment, mortgage, charge, pledge, lien, encumbrance, easement, preference, priority, title retention agreement or other security interest

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of any kind or nature whatsoever, howsoever created or arising, whether absolute or contingent, fixed or floating, perfected or not, but not including any security interest that may be deemed to arise solely as a result of entering into an agreement not in violation of the Indenture to sell or otherwise transfer property.

"SHAREHOLDERS' EQUITY" means shareholders' equity of Precision as shown on the most recent annual audited or quarterly unaudited consolidated balance sheet of Precision and computed in accordance with GAAP.

"SIGNIFICANT SUBSIDIARY" means a Restricted Subsidiary that constitutes a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X of the Exchange Act.

"SUBSIDIARY" means any corporation or other person of which Voting Shares or other interests carrying more than 50% of the voting rights attached to all outstanding Voting Shares or other interests are owned, directly or indirectly, by Precision or by one or more Subsidiaries of Precision, or by Precision and one or more Subsidiaries of Precision.

"VOTING SHARES" means shares of any class of a corporation which ordinarily have the right to vote for the election of the directors of such corporation, PROVIDED THAT, for the purpose of this definition, shares which only carry the right to vote conditionally on the happening of an event shall not be considered Voting Shares whether or not such event shall have happened.

### ADDITIONAL AMOUNTS

Unless otherwise specified in a prospectus supplement, all payments made by us under or with respect to the debt securities will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) imposed or levied by or on behalf of the Government of Canada or any province or territory thereof or by any authority or agency therein or thereof having power to tax ("Canadian Taxes"), unless we are required to withhold or deduct Canadian Taxes by law or by the interpretation or administration thereof. If we are so required to withhold or deduct any amount for or on account of Canadian Taxes from any payment made under or with respect to the debt securities, we will pay to each holder of such debt securities as additional interest such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by each such holder after such withholding or deduction (and after deducting any Canadian Taxes on such Additional Amounts) will not be less than the amount such holder would have received if such Canadian Taxes had not been withheld or deducted. However, no Additional Amounts will be payable with respect to a payment made to a debt securities holder (such holder, an "Excluded Holder") in respect of the beneficial owner thereof:

- o with which we do not deal at arm's length (within the meaning

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of the INCOME TAX ACT (Canada)) at the time of making such payment;

- o which is subject to such Canadian Taxes by reason of the holder of the debt securities being a resident, domicile or national of, or engaged in business or maintaining a permanent establishment or other physical presence in or otherwise having some connection with Canada or any province or territory thereof otherwise than by the mere holding of debt securities or the receipt of payments thereunder;
- o which is subject to such Canadian Taxes by reason of the holder's failure to comply with any certification, identification, documentation or other reporting requirements if compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or a reduction in the rate of deduction or withholding of, such Canadian Taxes; or
- o which by reason of the legal nature of the holder of the debt securities is disentitled to the benefit of an applicable treaty.

We will also make such withholding or deduction and remit the full amount deducted or withheld to the relevant authority in accordance with applicable law.

We will furnish to the holders of the debt securities, within 60 days after the date the payment of any Canadian Taxes is due pursuant to applicable law, certified copies of tax receipts or other documents evidencing such payment by us.

We will indemnify and hold harmless each holder of debt securities (other than an Excluded Holder) and upon written request reimburse each such holder for the amount, excluding any payment of Additional Amounts that have previously been made by us, of:

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- o any Canadian Taxes levied or imposed and paid by such holder as a result of payments made under or with respect to the debt securities;
- o any liability (including penalties, interest and expenses) arising therefrom or with respect thereto; and
- o any Canadian Taxes imposed with respect to any reimbursement under the preceding two bullet points, but excluding any such Canadian Taxes on such holder's net income.

At least 15 days prior to each date on which any payment under or with respect to any of the debt securities is due and payable, if we are aware that we will be obligated to pay Additional Amounts with respect to such payment, we will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable, the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to holders on the payment date. Wherever in the Indenture there is mentioned, in any context, the payment of principal, and premium, if any, interest or any other amount payable under or with respect to a debt security, such mention shall be deemed to include mention of the payment of Additional

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Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

### TAX REDEMPTION

Unless otherwise specified in a prospectus supplement, a series of debt securities will be subject to redemption at any time, in whole but not in part, at a redemption price equal to the principal amount thereof together with accrued and unpaid interest to the date fixed for redemption, upon the giving of a notice as described below, if we (or our successor) determine that (i) as a result of (A) any amendment to or change (including any announced prospective change) in the laws (or any regulations thereunder) of Canada (or our successor's jurisdiction of organization) or of any political subdivision or taxing authority thereof or therein affecting taxation, as applicable, or (B) any amendment to or change in an interpretation or application of such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), which amendment or change is announced or becomes effective on or after the date specified in the applicable prospectus supplement (or the date a party organized in a jurisdiction other than Canada or the United States becomes our successor), we have or will become obligated to pay, on the next succeeding date on which interest is due, additional amounts with respect to any debt security of such series as described under "Additional Amounts", or (ii) on or after the date specified in the applicable prospectus supplement (or the date a party organized in a jurisdiction other than Canada or the United States becomes our successor), any action has been taken by any taxing authority of, or any decision has been rendered by a court of competent jurisdiction in, Canada (or our successor's jurisdiction of organization) or any political subdivision or taxing authority thereof or therein, including any of those actions specified in (i) above, whether or not such action was taken or decision was rendered with respect to us, or any change, amendment, application or interpretation shall be officially proposed, which, in any such case, in the written opinion to us of legal counsel of recognized standing, will result in our becoming obligated to pay, on the next succeeding date on which interest is due, Additional Amounts with respect to any debt security of such series.

In the event that we elect to redeem a series of the debt securities pursuant to the provisions set forth in the preceding paragraph, we shall deliver to the Trustee a certificate, signed by an authorized officer, stating that we are entitled to redeem such series of the debt securities pursuant to their terms.

Notice of intention to redeem such series of our debt securities will be given not more than 60 nor less than 30 days prior to the date fixed for redemption and will specify the date fixed for redemption.

### PROVISION OF FINANCIAL INFORMATION

We will furnish to the Trustee, within 30 days after we file them with or furnish them to the SEC, copies (which may be electronic copies) of our annual and quarterly reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which we are required to file with or furnish to the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

In the event that we may not remain subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act or otherwise report on an annual and quarterly basis on forms provided for such annual

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and quarterly reporting pursuant to rules and regulations promulgated by the SEC, we will continue to furnish to the Trustee:

- o within the time periods required for the filing of annual information forms and annual financial statements (or similar annual filings) by the Canadian securities regulatory authorities, the information required to be contained in annual reports on Form 40-F (or any successor form); and
- o within the time periods for filing interim reports by the Canadian securities regulatory authorities, the information required to be contained in reports on Form 6-K (or any successor form) which, regardless of applicable requirements shall, at a minimum, contain such information required to be provided in quarterly reports under the laws of Canada or any province thereof to security holders of a corporation with securities listed on the Toronto Stock Exchange, whether or not we have any of our securities listed on such exchange. Such information will be prepared in accordance with Canadian disclosure requirements and GAAP; PROVIDED, HOWEVER, that we shall not be obligated to file such report with the SEC if the SEC does not permit such filings.

### EVENTS OF DEFAULT

The following are summaries of events with respect to any series of our debt securities which will constitute an event of default with respect to the debt securities of that series:

- o default in the payment of the principal of, or premium, if any, on, any debt security when it becomes due and payable;
- o default in the payment of any interest on any debt security, when it becomes due and payable, and continuance of such default for a period of 30 days;
- o default in the performance, or breach, of any covenant or warranty in the Indenture, and continuance of such default or breach for a period of 60 days after written notice has been given to us by the Trustee or by the holders of at least 25% in principal amount of all outstanding debt securities of any series affected thereby;
- o default in the performance of any covenant of Precision or any Restricted Subsidiary contained in any instrument (other than the Indenture) under which Indebtedness (other than Non-Recourse Debt) is created or issued if such Indebtedness has an outstanding principal amount in excess of the greater of US\$40 million and 2.5% of Shareholders' Equity at the time of default and the holders of such Indebtedness, or a trustee, if any, for those holders, declare such Indebtedness to be due and payable prior to the stated maturity of such Indebtedness, and such acceleration shall not be rescinded or annulled, or such default shall not be remedied or cured, whether by payment or otherwise, or waived by the holders of such accelerated Indebtedness within a period of seven days after such Indebtedness has been accelerated (or, if such acceleration is the result of an event of default which is not related to the failure to pay principal or interest, within 30 days after such Indebtedness has been accelerated);

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- o certain events in bankruptcy, insolvency, assignment for the benefit of creditors or analogous process relating to Precision or any Significant Subsidiary of Precision, as described in the Indenture; or
- o any other events of default provided with respect to debt securities of that series.

If an event of default occurs and is continuing with respect to debt securities of any series, unless the principal of all of the debt securities of that series shall have already become due and payable, the Trustee may, in its discretion, and shall upon request in writing made by the holders of not less than 25% in principal amount of all outstanding debt securities affected by such event of default, declare the principal of, and premium, if any, on, all the outstanding debt securities of that series and the interest accrued thereon and all other money, if any, owing under the provisions of the Indenture in respect of those debt securities, to be immediately due and payable.

The indenture governing our 6.85% Debentures due June 2007 and our 7.65% Debentures due October 2010 provides that an event of default shall have occurred with respect to such debentures if there is a default by us or by a material subsidiary of ours in respect of any indebtedness for borrowed money in excess of \$20 million if such default consists of a failure to pay the indebtedness when due or results in the acceleration of such indebtedness. Since the similar event of default described in the fourth bullet point in the above paragraph provides for an event of default with respect to the debt securities only if there is a default with respect to other

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Indebtedness having a principal amount in excess of the greater of US\$40 million or 2.5% of Shareholders' Equity, it is possible that holders of such debentures could accelerate payment of those debentures as a result of a default in other indebtedness while the holders of the debt securities would not be entitled to accelerate payment of the debt securities.

Subject to certain conditions contained in the Indenture, the holders of a majority of the aggregate principal amount of the debt securities of the affected series can rescind this accelerated payment requirement. Subject to certain limitations contained in the Indenture, the holders of a majority in principal amount of the outstanding debt securities of all series affected by an event of default shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the debt securities of all series affected by such event of default.

No holder of a debt security of any series will have any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or a trustee, or for any other remedy thereunder, unless:

- o such holder has previously given to the Trustee written notice of a continuing event of default with respect to the debt securities of such series affected by such event of default;
- o the holders of at least 25% in aggregate principal amount of the outstanding debt securities of such series (voting as one class) affected by such event of default have made written request, and such holder or holders have offered reasonable indemnity, to the Trustee to institute such proceeding as

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Trustee; and

- o the Trustee has failed to institute such proceeding, and has not received from the holders of a majority in aggregate principal amount of the outstanding debt securities of such series affected by such event of default a direction inconsistent with such request, within 60 days after such notice, request and offer.

However, such above-mentioned limitations do not apply to a suit instituted by the holder of a debt security for the enforcement of payment of the principal of or any premium or interest on such debt security on or after the applicable due date specified in such debt security.

The Indenture requires that we annually furnish to the Trustee a statement by certain of our officers as to whether or not Precision, to the best of their knowledge, is in compliance with all conditions and covenants of the Indenture and, if not, specifying all such known defaults. We will also be required under the Indenture to notify the Trustee as soon as practicable upon becoming aware of any event of default.

### DEFEASANCE

Unless otherwise specified in the applicable prospectus supplement, the Indenture provides that, at our option, we will be discharged from any and all obligations in respect of the outstanding debt securities of any series upon irrevocable deposit with the Trustee, in trust, of money and/or government securities which will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent chartered accountants to pay the principal of and premium, if any, and each installment of interest on the outstanding debt securities of such series ("Defeasance") (except with respect to the authentication, transfer, exchange or replacement of our debt securities or

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the maintenance of a place of payment and certain other obligations set forth in the Indenture). Such trust may only be established if, among other things:

- o we have delivered to the Trustee an opinion of counsel in the United States stating that Precision has received from, or there has been published by, the Internal Revenue Service a ruling or, since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that the holders of the outstanding debt securities of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Defeasance had not occurred;
- o we have delivered to the Trustee an opinion of counsel in Canada or a ruling from Canada Revenue Agency to the effect that the holders of the outstanding debt securities of such series will not recognize income, gain or loss for Canadian federal or provincial income or other tax purposes as a result of such Defeasance and will be subject to Canadian federal or provincial income and other tax on the same amounts, in the same manner and at the same times as would have been the case had such Defeasance not occurred (and for the purposes of such



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opinion, such Canadian counsel shall assume that holders of the outstanding debt securities of such series include holders who are not resident in Canada);

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- o we are not an "insolvent person" within the meaning of the BANKRUPTCY AND INSOLVENCY ACT (Canada) on the date of such deposit or at any time during the period ending on the 91st day following such deposit; and
- o no event of default or event that, with the passing of time or the giving of notice, or both, shall constitute an event of default, shall have occurred and be continuing on the date of such deposit.

We may exercise our Defeasance option notwithstanding our prior exercise of our Covenant Defeasance option described in the following paragraph if we meet the conditions described in the preceding sentence at the time we exercise the Defeasance option.

The Indenture provides that, at our option, unless and until we have exercised our Defeasance option described in the preceding paragraph, we may omit to comply with the "Limitation on Liens" and "Consolidation, Amalgamation, Merger and Sale of Assets" covenants and certain other covenants and such omission shall not be deemed to be an event of default under the Indenture upon irrevocable deposit with the Trustee, in trust, of money and/or government securities which will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent chartered accountants to pay the principal of and premium, if any, and each installment of interest, if any, on the outstanding debt securities ("Covenant Defeasance"). If we exercise our Covenant Defeasance option, the obligations under the Indenture other than with respect to such covenants and the events of default with respect to such covenants shall remain in full force and effect. Such trust may only be established if, among other things:

- o we have delivered to the Trustee an opinion of counsel in the United States to the effect that the holders of the outstanding debt securities will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- o we have delivered to the Trustee an opinion of counsel in Canada or a ruling from Canada Revenue Agency to the effect that the holders of the outstanding debt securities will not recognize income, gain or loss for Canadian federal or provincial income or other tax purposes as a result of such Covenant Defeasance and will be subject to Canadian federal or provincial income and other tax on the same amounts, in the same manner and at the same times as would have been the case had such Covenant Defeasance not occurred (and for the purposes of such opinion, such Canadian counsel shall assume that holders of our outstanding debt securities include holders who are not resident in Canada);
- o we are not an "insolvent person" within the meaning of the Bankruptcy and Insolvency Act (Canada) on the date of such

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deposit or at any time during the period ending on the 91st day following such deposit; and

- o no event of default or event that, with the passing of time or the giving of notice, or both, shall constitute an event of default, shall have occurred and be continuing on the date of such deposit.

### MODIFICATION AND WAIVER

Modifications and amendments of the Indenture may be made by us and the Trustee with the consent of the holders of a majority in principal amount of the outstanding debt securities of each series issued under the Indenture affected by such modification or amendment (voting as one class); provided that no such modification or amendment may, without the consent of the holder of each outstanding debt security of such affected series:

- o change the stated maturity of the principal of, or extend the scheduled time of payment of any instalment of interest, if any, on any debt security;
- o reduce the principal amount of, or premium, if any, or interest rate, if any, on any debt security;
- o change the place of payment;
- o change the currency of payment of principal of, or premium, if any, or interest, if any, on any debt security;
- o impair the right to institute suit for the enforcement of any payment on or with respect to any debt security;

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- o reduce the percentage of principal amount of outstanding debt securities of such series, the consent of the holders of which is required for modification or amendment of Indenture provisions or for waiver of compliance with provisions of the Indenture or for waiver of defaults; or
- o modify any provisions of the Indenture relating to the modification and amendment of the Indenture or the waiver of past defaults or covenants, except as otherwise specified in the Indenture.

The holders of a majority in principal amount of the outstanding debt securities of any series may on behalf of the holders of all debt securities of that series waive, insofar as that series is concerned, compliance by us with certain restrictive provisions of the Indenture. The holders of a majority in principal amount of outstanding debt securities of any series may waive any past default under the Indenture with respect to that series, except a default in the payment of the principal of, or premium, if any, and interest, if any, on any debt security of that series or in respect of a provision which under the Indenture cannot be modified or amended without the consent of the holder of each outstanding debt security of that series.

The Indenture or the debt securities may be amended or supplemented, without the consent of any holder of such debt securities, in order to, among other things, cure any ambiguity or inconsistency that, in each case, does not materially adversely affect the rights of any holder of such debt securities.

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### RESIGNATION OF TRUSTEE

The Trustee may resign or be removed with respect to one or more series of debt securities and a successor Trustee may be appointed to act with respect to such series. In the event that two or more persons are acting as Trustee with respect to different series of debt securities, each such Trustee shall be a Trustee of a trust under the Indenture separate and apart from the trust administered by any other such Trustee, and any action described herein to be taken by the "Trustee" may then be taken by each such Trustee with respect to, and only with respect to, the one or more series of debt securities for which it is Trustee.

### GOVERNING LAW

Our debt securities and the Indenture will be governed by and construed in accordance with the laws of the State of New York.

### CONSENT TO JURISDICTION AND SERVICE

Under the Indenture, we have irrevocably appointed CT Corporation System, 111 8th Avenue, 13th Floor, New York, New York 10011, as our authorized agent for service of process in any suit or proceeding arising out of or relating to the debt securities or the Indenture and for actions brought under U.S. federal or state securities laws in any U.S. federal or state court located in the Borough of Manhattan in The City of New York, New York, and we have irrevocably submitted to the non-exclusive jurisdiction of such courts.

### ENFORCEABILITY OF JUDGMENTS

Since most of our assets, as well as the assets of a number of our directors and officers, are outside the United States, any judgment obtained in the United States against us or certain of our directors or officers, including judgments with respect to the payment of principal on any debt securities, may not be collectible within the United States.

We have been informed by Borden Ladner Gervais LLP, our Canadian counsel, that the laws of the Province of Alberta and the federal laws of Canada applicable therein permit an action to be brought in a court of competent jurisdiction in the Province of Alberta on any final and conclusive judgment IN PERSONAM of any federal or state court located in the State of New York (a "New York Court") against us, which judgment is subsisting and unsatisfied for a sum certain with respect to the enforcement of the Indenture and the debt securities that is not impeachable as void or voidable under the internal laws of the State of New York if: (i) the New York Court rendering such judgment had jurisdiction over the judgment debtor, as recognized by the courts of the Province of Alberta (and submission by us in the Indenture to the jurisdiction of the New York Court will be sufficient for that purpose); (ii) such judgment was not obtained by fraud or in a manner contrary to natural justice and the enforcement thereof would not be inconsistent with public policy, as such terms are understood under the laws of the Province of Alberta or contrary to any order made by the Attorney General of Canada under the FOREIGN EXTRATERRITORIAL MEASURES ACT (Canada) or by the Competition Tribunal under the COMPETITION ACT (Canada);

(iii) the enforcement of such judgment would not be contrary to the laws of general application limiting the enforcement of creditors' rights including bankruptcy, reorganization, winding up, moratorium and similar laws and does not constitute, directly or indirectly, the enforcement of foreign revenue,

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expropriatory or penal laws in the Province of Alberta; (iv) no new admissible evidence relevant to the action is discovered prior to the rendering of judgment by the court in the Province of Alberta; (v) interest payable on the debt securities is not characterized by a court in the Province of Alberta as interest payable at a criminal rate within the meaning of Section 347 of the CRIMINAL CODE (Canada); and (vi) the action to enforce such judgment is commenced within the appropriate limitation period, except that any court in the Province of Alberta may only give judgment in Canadian dollars.

In the opinion of such counsel, there are no reasons under present laws of the Province of Alberta for avoiding recognition of such judgments of New York Courts under the Indenture or on the debt securities based upon public policy. We have been advised by such counsel that there is doubt as to the enforceability in Canada by a court in original actions, or in actions to enforce judgments of United States courts, of civil liabilities predicated solely upon the United States federal securities laws.

### DESCRIPTION OF SHARE CAPITAL

#### AUTHORIZED CAPITAL

Our authorized capital consists of an unlimited number of common shares without nominal or par value and an unlimited number of non-voting, cumulative, convertible, redeemable preferred shares ("Preferred Shares") without nominal or par value, issuable in series. As at April 30, 2004, 55,897,119 common shares are issued and outstanding and no Preferred Shares have been issued.

#### COMMON SHARES

Each common share entitles the holder to receive notice of and to attend all meetings of our shareholders, other than meetings at which only the holders of another class or series are entitled to vote. Each common share entitles the holder to one vote. The holders of common shares, in the discretion of the board of directors, are entitled to receive out of any monies properly applicable to the payment of dividends, and after the payment of any dividends payable on the Preferred Shares of any series or any other series ranking prior to the common shares as to the payment of dividends, any dividends declared and payable on the common shares. Upon any liquidation, dissolution or winding-up of Precision, or other distribution of our assets among our shareholders for the purposes of winding-up our affairs, the holders of the common shares are entitled to share on a share-for-share basis in the distribution, except for the prior rights of the holders of the Preferred Share of any series, or any other class ranking prior to the common shares. There are no pre-emptive or conversion rights, and the common shares are not subject to redemption. All common shares currently outstanding and to be outstanding upon exercise of outstanding options are, or will be, fully paid and non-assessable.

Our by-laws provide for certain rights of holders of our common shares in accordance with the provisions of the BUSINESS CORPORATIONS ACT (Alberta). Such by-laws may be amended either by a majority vote of the holders of common shares or by a majority vote of the board of directors. Any amendment of the by-laws by action of the board of directors must be submitted to the next meeting of our shareholders whereupon the by-law amendment must be confirmed, confirmed as amended or replaced by a majority of the vote of the shareholders voting on such matter.

Our shareholders do not have cumulative voting rights on the election of our directors. Therefore, the holder of more than 50% of the common shares voting for the election of our directors could, if they chose to do so, elect all of the directors and, in such event, the holders of the remaining common shares would not be able to elect any director.

PLAN OF DISTRIBUTION

We may sell Securities to or through underwriters or dealers and also may sell Securities directly to purchasers or through agents. These Securities may be sold in Canada, the United States and elsewhere where permitted by law.

The distribution of Securities of any series may be effected from time to time in one or more transactions:

- o at a fixed price or prices, which may be changed;
- o at market prices prevailing at the time of sale; or
- o at prices related to such prevailing market prices to be negotiated with purchasers.

In connection with the sale of Securities, underwriters may receive compensation from us or from purchasers of Securities for whom they may act as agents in the form of concessions or commissions. Underwriters, dealers and agents that participate in the distribution of Securities may be deemed to be underwriters and any commissions received by them from us and any profit on the resale of Securities by them may be deemed to be underwriting commissions under the United States Securities Act of 1933, as amended (the "Securities Act").

The prospectus supplement will also set forth the terms of the offering of the Securities, including to the extent applicable, the initial offering price, our proceeds from the offering, the underwriting concessions or commissions, and any other discounts or concessions to be allowed or reallocated to dealers. Underwriters with respect to each series sold to or through underwriters will be named in the prospectus supplement relating to such series.

Under agreements which may be entered into by us, underwriters, dealers and agents who participate in the distribution of debt securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act. The underwriters, dealers and agents with whom we enter into agreements may be customers of, engage in transactions with or perform services for us in the ordinary course of business.

Each series of debt securities will be a new issue of securities with no established trading market. Unless otherwise specified in a prospectus supplement relating to a series of debt securities, the debt securities will not be listed on any securities exchange or on any automated dealer quotation system. Certain broker-dealers may make a market in the debt securities, but will not be obligated to do so and may discontinue any market making at any time without notice. We cannot assure you that any broker-dealer will make a market in the debt securities of any series or as to the liquidity of the trading market, if any, for the debt securities of any series.

CERTAIN INCOME TAX CONSIDERATIONS

The applicable prospectus supplement will describe certain Canadian federal income tax consequences to an investor who is a resident of Canada or who is a non-resident of Canada of acquiring any Securities offered thereunder, including to the extent applicable, whether the payments of principal of, premium, if any, and interest on the debt securities will be subject to Canadian non-resident withholding tax.

The applicable prospectus supplement will also describe certain United

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States federal income tax consequences of the acquisition, ownership and disposition of any Securities offered under this prospectus by an initial investor who is a United States person (within the meaning of the United States Internal Revenue Code), including, to the extent applicable, any such consequences relating to debt securities payable in a currency other than the United States dollar, issued at an original issue discount for United States federal income tax purposes or containing early redemption provisions or other special terms.

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### LEGAL MATTERS

Unless otherwise specified in the prospectus supplement certain legal matters relating to Canadian law will be passed upon for us by Borden Ladner Gervais LLP, Calgary, Alberta, Canada. Certain legal matters in connection with the offering relating to United States law will be passed upon for us by Paul, Weiss, Rifkind, Wharton & Garrison LLP, New York, New York. Certain legal matters relating to Canadian law will be passed upon for any underwriters, dealers or agents by Burnet Duckworth & Palmer LLP, Calgary, Alberta, Canada. In addition, certain legal matters relating to United States law will be passed upon for any underwriters, dealers or agents by Skadden, Arps, Slate, Meagher & Flom LLP, Toronto, Ontario, Canada.

The partners and associates of Borden Ladner Gervais LLP and Paul, Weiss, Rifkind, Wharton & Garrison LLP as a group beneficially own, directly or indirectly, less than 1% of any class of Precision's securities.

### EXPERTS

The audited consolidated financial statements incorporated by reference in this prospectus have been so incorporated in reliance on the reports of KPMG LLP, Chartered Accountants, given on the authority of said firm, as experts in auditing and accounting.

### DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT

The following documents have been filed with the SEC as part of the registration statement of which this prospectus is a part insofar as required by the SEC's Form F-10:

- o the documents listed in the third paragraph under "Where You Can Find More Information" in this prospectus;
- o U.S. GAAP Reconciliation for our unaudited comparative consolidated financial statements for the three months ended March 31, 2004;
- o the consent of our accountants, KPMG LLP;
- o the consent of our counsel, Borden Ladner Gervais LLP;
- o powers of attorney from our directors and officers;
- o the form of trust indenture relating to the debt securities;
- o the statement of eligibility of the trustee on Form T- 1; and
- o interest coverage ratios.

CONSENT OF KPMG LLP

We have read the short form base shelf prospectus of Precision Drilling Corporation (the "Corporation") dated May 17, 2004 relating to the offer for sale from time to time of up to US\$1,000,000,000 of debt securities or common shares of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form base shelf prospectus of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2003 and 2002 and the consolidated statements of earnings and retained earnings and cash flow for each of the years in the three-year period ended December 31, 2003. Our report is dated February 10, 2004.

"KPMG LLP"  
Chartered Accountants  
May 17, 2004