



Precision Drilling Corporation

First Quarter Report for the three months ended March 31, 2017 and 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis for the three month period ended March 31, 2017 of Precision Drilling Corporation ("Precision" or the "Corporation") prepared as at April 21, 2017 focuses on the unaudited Interim Consolidated Financial Statements and related notes and pertains to known risks and uncertainties relating to the oilfield services sector. This discussion should not be considered all inclusive as it does not include all changes regarding general economic, political, governmental and environmental events. This discussion should be read in conjunction with the Corporation's 2016 Annual Report, Annual Information Form, unaudited March 31, 2017 Interim Consolidated Financial Statements and related notes.

This report contains "forward-looking information and statements" within the meaning of applicable securities laws. For a full disclosure of the forward-looking information and statements and the risks to which they are subject, see the "Cautionary Statement Regarding Forward-Looking Information and Statements" on page 13 of this report. This report contains references to Adjusted EBITDA, Operating Earnings (Loss) and Funds Provided by Operations. These terms do not have standardized meanings prescribed under International Financial Reporting Standards (IFRS) and may not be comparable to similar measures used by other companies, see "Non-GAAP Measures" on page 12 of this report.

Precision Drilling announces 2017 first quarter financial results:

- First quarter revenue of \$346 million was an increase of 15% over the prior year comparative quarter.
- First quarter earnings before income taxes, gain on repurchase of unsecured senior notes, finance charges, foreign exchange, and depreciation and amortization (adjusted EBITDA see "NON-GAAP MEASURES") of \$84 million was 15% lower than the first quarter of 2016.
- First quarter net loss of \$23 million compared with a net loss of \$20 million in the prior year comparative period.
- First quarter net loss per share of \$0.08 compared with a net loss of \$0.07 per share in the prior year comparative period.
- First quarter capital expenditures were \$22 million, with full year capital spending expected to be \$119 million.

SELECT FINANCIAL AND OPERATING INFORMATION

Adjusted EBITDA and funds provided by operations are Non-GAAP measures. See “NON-GAAP MEASURES.”

Financial Highlights

<i>(Stated in thousands of Canadian dollars, except per share amounts)</i>	Three months ended March 31,		
	2017	2016	% Change
Revenue	345,800	301,727	14.6
Adjusted EBITDA ⁽¹⁾	84,308	99,264	(15.1)
Net loss	(22,614)	(19,883)	13.7
Cash provided by operations	33,770	112,174	(69.9)
Funds provided by operations ⁽¹⁾	85,659	93,593	(8.5)
Capital spending:			
Expansion	3,792	19,201	(80.3)
Upgrade	13,647	1,433	852.3
Maintenance and infrastructure	4,653	6,527	(28.7)
Proceeds on sale	(2,218)	(2,157)	2.8
Net capital spending	19,874	25,004	(20.5)
Net loss per share:			
Basic	(0.08)	(0.07)	(14.3)
Diluted	(0.08)	(0.07)	(14.3)

(1) See “NON-GAAP MEASURES”

Operating Highlights

	Three months ended March 31,		
	2017	2016	% Change
Contract drilling rig fleet	255	251	1.6
Drilling rig utilization days:			
Canada	6,819	3,995	70.7
U.S.	4,190	2,886	45.2
International	720	763	(5.6)
Revenue per utilization day:			
Canada ⁽¹⁾⁽³⁾ (Cdn\$)	18,524	23,880	(22.4)
U.S. ⁽²⁾⁽³⁾ (US\$)	19,972	31,830	(37.3)
International (US\$)	50,434	41,609	21.2
Operating cost per utilization day:			
Canada (Cdn\$)	9,947	10,899	(8.7)
U.S. (US\$)	14,682	16,656	(11.9)
Service rig fleet	210	163	28.8
Service rig operating hours	52,057	24,831	109.6
Revenue per operating hour (Cdn\$)	636	745	(14.6)

(1) Includes lump sum revenue from contract shortfall.

(2) Includes revenue from idle but contracted rig days.

(3) 2016 comparative includes revenue from contract cancellation payments.

Financial Position

<i>(Stated in thousands of Canadian dollars, except ratios)</i>	March 31, 2017	December 31, 2016
Working capital	248,892	230,874
Cash	120,580	115,705
Long-term debt ⁽¹⁾	1,892,739	1,906,934
Total long-term financial liabilities	1,918,636	1,946,742
Total assets	4,261,536	4,324,214
Long-term debt to long-term debt plus equity ratio ⁽¹⁾	0.49	0.49

(1) Net of unamortized debt issue costs.

Summary for the three months ended March 31, 2017:

- Revenue this quarter was \$346 million which is 15% higher than the first quarter of 2016. The increase in revenue is primarily the result of greater activity in all of our North American based businesses and higher average day rates from our international contract drilling business partially offset by lower contract short-fall payments, a decrease in average day rates in all of our North American businesses and no utilization in our Mexico based contract drilling business. Compared with the first quarter of 2016 our activity for the quarter, as measured by drilling rig utilization days, increased 71% in Canada and 45% in the U.S. and it decreased 6% internationally. Revenue from our Contract Drilling Services and Completion and Production Services segments both increased over the comparative prior year period by 10% and 63%, respectively.
- Adjusted EBITDA this quarter of \$84 million is a decrease of \$15 million from the first quarter of 2016. Our adjusted EBITDA as a percentage of revenue was 24% this quarter, compared with 33% in the first quarter of 2016. The decrease in adjusted EBITDA as a percent of revenue was mainly due to lower average day rates in North America and lower contract shortfall payments in the U.S. During the quarter, we incurred costs associated with repositioning drilling rigs to higher demand basins and time-based maintenance. These costs were primarily incurred in our U.S. operations.
- Operating loss (see "NON-GAAP MEASURES") this quarter was \$13 million compared with operating earnings of \$4 million in the first quarter of 2016. Operating results this quarter were negatively impacted by decreased pricing in all of our North American businesses.
- General and administrative expenses this quarter were \$25 million, \$2 million lower than the first quarter of 2016. The decrease is due to cost saving initiatives undertaken in 2016 and a moderate strengthening of the Canadian dollar on our U.S. dollar denominated costs partially offset by an increase in our share based incentive compensation that is tied to the price of our common shares.
- Net finance charges were \$33 million, a decrease of \$3 million compared with the first quarter of 2016 primarily due to a reduction in interest expense related to debt retired in 2016.
- Average revenue per utilization day for contract drilling rigs decreased in the first quarter of 2017 to \$18,524 from the prior year first quarter of \$23,880 in Canada and decreased in the U.S. to US\$19,972 from US\$31,830. The decrease in Canada is the result of lower spot market rates and a higher proportion of revenue from shallower drilling activity relative to the 2016 comparative period. During the quarter, we recognized \$9 million in revenue associated with contract shortfall payments in Canada which was in line with shortfall and contract cancellation revenue recognized in the prior year period. The decrease in the U.S. revenue rate is the result of fewer rigs working under long-term contracts and a lower daily revenue impact from idle but contracted rigs. We recognized US\$1 million in turnkey revenue compared with US\$6 million in the 2016 comparative period and US\$3 million in idle but contracted revenue in the current quarter versus US\$7 million in the comparative period. In the U.S. for the prior year comparative quarter, we recognized US\$13 million in incremental revenue related to three one-time payments for contract terminations.

- Average operating costs per utilization day for drilling rigs in Canada decreased to \$9,947 compared with the prior year first quarter of \$10,899. The decrease in average costs is due to cost saving initiatives and improved absorption of fixed costs with a higher utilization base. In the U.S., operating costs for the quarter on a per day basis decreased to US\$14,682 in 2017 compared with US\$16,656 in 2016 due to fixed costs spread over higher utilization partially offset by costs associated with repositioning drilling rigs to more active basins and completing time-based maintenance. In addition, higher turnkey activity increased per day costs in 2016.
- We realized revenue from international contract drilling of US\$36 million in the first quarter of 2017, a US\$5 million increase over the prior year period. The increase was due to the startup of two new rigs in Kuwait in the fourth quarter of 2016 partially offset by a reduction in activity in our Mexico operations. Average revenue per utilization day in our international contract drilling business was US\$50,434 an increase of 21% over the comparable prior year quarter primarily due to rig mix as we had fewer rigs working in the lower day rate jurisdictions.
- Directional drilling services realized revenue of \$13 million in the first quarter of 2017 compared with \$8 million in the prior year period. The increase was primarily the result of increased activity in Canada and a greater proportion of higher day rate activity in the U.S.
- Funds provided by operations in the first quarter of 2017 were \$86 million, a decrease of \$8 million from the prior year comparative quarter of \$94 million. The decrease was primarily the result of lower operating results.
- Capital expenditures for the purchase of property, plant and equipment were \$22 million in the first quarter, a decrease of \$5 million over the same period in 2016. Capital spending for the quarter included \$4 million for expansion capital, \$13 million for upgrade capital and \$5 million for the maintenance of existing assets and infrastructure spending.

STRATEGY

Precision's strategic priorities for 2017 are as follows:

1. **Deliver High Performance, High Value service offering in an improving demand environment while demonstrating fixed cost leverage** – In the U.S., we grew our active rig count by 44% throughout the first quarter of 2017, the highest quarterly growth in our history. In Canada, we began the year with 50 active rigs and reached a seasonal peak of 91 rigs. Year-over-year our first quarter utilization days were up 60% across our North American drilling operations and was achieved without any meaningful increase in fixed costs.
2. **Commercialize rig automation and efficiency-driven technologies across our Super Series fleet** – Beta-style field trials utilizing rig automation technologies, including advisory software and wired drill pipe are ongoing and we expect to commercialize these automation features during 2017.
3. **Maintain strict financial discipline in pursuing growth opportunities with a focus on free cash flow and debt reduction** – Effectively all upgrade capital spending is supported by take-or-pay term contracts priced at a level that allows for attractive rates of return. In the first quarter, we generated funds from operations of \$86 million – see “NON-GAAP MEASURES.”

OUTLOOK

For the first quarter of 2017, the average West Texas Intermediate price of oil and average Henry Hub natural gas price were 55% higher than the prior year comparative period.

	Three months ended March 31,		Year ended December 31,
	2017	2016	2016
Average oil and natural gas prices			
Oil			
West Texas Intermediate (<i>per barrel</i>) (US\$)	52.00	33.51	43.30
Natural gas			
Canada			
AECO (<i>per MMBtu</i>) (CDN\$)	2.63	1.84	2.14
United States			
Henry Hub (<i>per MMBtu</i>) (US\$)	3.07	1.98	2.48

Contracts

The following chart outlines the average number of drilling rigs that we have under contract as of April 21, 2017 for the remaining quarters of 2017 and the full years 2017 and 2018.

	March 31	Average for the quarter ended 2017			Average for the year ended	
		June 30	September 30	December 31	2017	2018
Average rigs under term contract as of April 21, 2017:						
Canada	27	22	17	15	20	8
U.S.	26	30	27	19	26	6
International	8	8	8	8	8	7
Total	61	60	52	42	54	21

In Canada, term contracted rigs normally generate 250 utilization days per year because of the seasonal nature of well site access. In most regions in the U.S. and internationally, term contracts normally generate 365 utilization days per year. Year to date as of April 21, 2017 we have added nine term contracts with durations of six months or longer.

Drilling Activity

The following chart outlines the average number of drilling rigs that we had working or moving by quarter for the periods noted.

	March 31	Average for the quarter ended 2016			2017
		June 30	September 30	December 31	March 31
Average Precision active rig count:					
Canada	44	13	31	51	76
U.S.	32	24	29	39	47
International	8	7	7	8	8
Total	84	44	67	98	131

In general, lower oil prices caused producers to significantly reduce their drilling budgets in 2015 and 2016, decreasing demand for drilling rigs, resulting in pricing pressure on spot market day rates and significantly depressed industry activity levels. Following OPEC's actions to limit production to stabilize oil prices, we have experienced increased demand for our rigs and if current commodity prices continue to improve we expect our customers to enhance their drilling programs further strengthening rig demand.

With improved commodity prices and increasing activity levels we have recently been able to increase prices on spot market rigs across the majority of our fleet. Should commodity prices continue to improve, we expect sequential improvements in pricing in the U.S. and the Deep Basin in Canada. We expect pricing improvements in the shallower parts of the Canadian market; however, the increases are not expected to be of the same magnitude as other North American markets in which we operate.

Industry Conditions

In 2017, drilling activity has increased relative to this time last year for both Canada and the U.S. According to industry sources, as of April 21, 2017, the U.S. active land drilling rig count was up approximately 107% from the same point last year and the Canadian active land drilling rig count was up approximately 148%.

In Canada there has been a strengthening in natural gas and gas liquids drilling activity related to Deep Basin drilling in northwestern Alberta and northeastern British Columbia while the trend towards oil-directed drilling in the U.S. continues. To date in 2017, approximately 53% of the Canadian industry's active rigs and 80% of the U.S. industry's active rigs were drilling for oil targets, compared with 46% for Canada and 80% for the U.S. at the same time last year.

We expect Tier 1 rigs to remain the preferred rigs of customers globally. The economic value created by the significant drilling and mobility efficiencies delivered by the most advanced XY pad walking rigs have been highlighted and widely accepted by our customers. The trend to longer-reach horizontal completions and the importance of the rig delivering these complex wells consistently and efficiently has been well established by the industry. We expect that demand for leading edge high efficiency Tier 1 rigs will continue to strengthen, as the drilling rig capability has been a key economic facilitator of horizontal/unconventional resource exploitation. Development and field application of drilling equipment process automation coupled with closed loop drilling controls and de-manning of the rigs will continue this technical evolution while creating further cost efficiencies and performance value for customers and further differentiating the specific capabilities of the leading edge Tier 1 rigs and those rig contractors capable of widely deploying those technologies.

Capital Spending

Capital spending in 2017 is expected to be \$119 million:

- The 2017 capital expenditure plan includes \$13 million for expansion capital, \$52 million for sustaining and infrastructure expenditures, and \$54 million to upgrade existing rigs. We expect that the \$119 million will be split \$113 million in the Contract Drilling Services segment and \$6 million in the Completion and Production Services segment.

SEGMENTED FINANCIAL RESULTS

Precision's operations are reported in two segments: the Contract Drilling Services segment, which includes the drilling rig, directional drilling, oilfield supply and manufacturing divisions; and the Completion and Production Services segment, which includes the service rig, snubbing, rental, camp and catering and wastewater treatment divisions.

<i>(Stated in thousands of Canadian dollars)</i>	Three months ended March 31,		
	2017	2016	% Change
Revenue:			
Contract Drilling Services	301,057	274,837	9.5
Completion and Production Services	46,349	28,454	62.9
Inter-segment eliminations	(1,606)	(1,564)	2.7
	345,800	301,727	14.6
Adjusted EBITDA: ⁽¹⁾			
Contract Drilling Services	93,665	115,617	(19.0)
Completion and Production Services	4,587	(2,207)	(307.8)
Corporate and other	(13,944)	(14,146)	(1.4)
	84,308	99,264	(15.1)

(1) See "NON-GAAP MEASURES".

SEGMENT REVIEW OF CONTRACT DRILLING SERVICES

<i>(Stated in thousands of Canadian dollars, except where noted)</i>	Three months ended March 31		
	2017	2016	% Change
Revenue	301,057	274,837	9.5
Expenses:			
Operating ⁽¹⁾	197,944	147,179	34.5
General and administrative ⁽¹⁾	9,448	10,085	(6.3)
Restructuring	-	1,956	(100.0)
Adjusted EBITDA ⁽²⁾	93,665	115,617	(19.0)
Depreciation	86,189	84,279	(2.3)
Operating earnings ⁽²⁾	7,476	31,338	(76.1)
Operating earnings as a percentage of revenue	2.5%	11.4%	

(1) Certain expenses in the prior year comparative have been reclassified to conform to current year presentation.

(2) See "NON-GAAP MEASURES".

Canadian onshore drilling statistics: ⁽¹⁾	Three months ended March 31,			
	2017		2016	
	Precision	Industry ⁽²⁾	Precision	Industry ⁽²⁾
Number of drilling rigs (end of period)	135	641	135	687
Drilling rig operating days (spud to release)	6,041	23,323	3,571	13,166
Drilling rig operating day utilization	50%	41%	26%	20%
Number of wells drilled	564	2,284	249	1,062
Average days per well	10.7	10.2	14.3	12.4
Number of metres drilled (000s)	1,471	6,160	688	2,829
Average metres per well	2,608	2,697	2,765	2,664
Average metres per day	243	264	193	215

(1) Canadian operations only.

(2) Canadian Association of Oilwell Drilling Contractors ("CAODC"), and Precision – excludes non-CAODC rigs and non-reporting CAODC members.

United States onshore drilling statistics: ⁽¹⁾	2017				2016	
	Precision	Industry ⁽²⁾	Precision	Industry ⁽²⁾	Precision	Industry ⁽²⁾
Average number of active land rigs for quarters ended:						
March 31	47	722	32	516		

(1) United States lower 48 operations only.

(2) Baker Hughes rig counts.

Revenue from Contract Drilling Services was \$301 million this quarter, or 10% higher than the first quarter of 2016, while adjusted EBITDA decreased by 19% to \$94 million. The increase in revenue was due to higher utilization days in Canada and the U.S. and higher average day rates for international contract drilling. During the quarter we recognized \$9 million in shortfall payments in our Canadian contract drilling business, which was in line with the combined shortfall and contract termination payments received in the prior year comparative quarter. During the quarter in the U.S. we recognized US\$3 million of idle but contracted revenue compared with a combined US\$24 million in idle but contracted and contract termination payments in the comparative quarter of 2016.

Drilling rig utilization days in Canada (drilling days plus move days) were 6,819 during the first quarter of 2017, an increase of 71% compared to 2016 primarily due to the increase in industry activity resulting from higher oil prices. Drilling rig utilization days in the U.S. were 4,190, or 45% higher than the same quarter of 2016 as U.S. activity was up with higher industry activity. Drilling rig utilization days in our international business were 720 or 6% lower than the same quarter of 2016 due to lower activity in Mexico partially offset by the addition of two rigs in Kuwait during the fourth quarter of 2016.

Compared with the same quarter in 2016, drilling rig revenue per utilization day was down 22% in Canada due to the decline of spot market rates as the drop in industry activity has led to a more competitive pricing environment. Drilling rig revenue per utilization day for the quarter in the U.S. was down 37% from the prior comparative period, while international revenue per utilization day was up 21%. The decrease in the U.S. average rate was due to lower spot market rates and lower relative idle but contracted revenue. International revenue per utilization day was up due to rig mix with a higher proportion of days from Kuwait during the quarter and lower activity in Mexico.

In Canada, 31% of our utilization days in the quarter were generated from rigs under term contract, compared with 44% in the first quarter of 2016. In the U.S., 54% of utilization days were generated from rigs under term contract as compared with 65% in the first quarter of 2016.

Operating costs were 66% of revenue for the quarter, which was 12 percentage points higher than the prior year period. On a per utilization day basis, operating costs for the drilling rig division in Canada were lower than the prior year period primarily because of the impact of higher activity on fixed costs. In the U.S., operating costs for the quarter on a per day basis were lower than the prior year period primarily due to lower turnkey costs and the impact of fixed costs spread over higher activity partially offset by higher costs associated with rig repositioning and time-based maintenance. Both Canada and U.S. operating costs benefited from cost saving initiatives taken in 2015 and 2016.

Depreciation expense in the quarter was 2% higher than in the first quarter of 2016.

SEGMENT REVIEW OF COMPLETION AND PRODUCTION SERVICES

<i>(Stated in thousands of Canadian dollars, except where noted)</i>	Three months ended March 31,		
	2017	2016	% Change
Revenue	46,349	28,454	62.9
Expenses:			
Operating ⁽¹⁾	39,868	26,222	52.0
General and administrative ⁽¹⁾	1,894	3,020	(37.3)
Restructuring	-	1,419	(100.0)
Adjusted EBITDA ⁽²⁾	4,587	(2,207)	(307.8)
Depreciation	7,403	7,210	2.7
Operating loss ⁽²⁾	(2,816)	(9,417)	(70.1)
Operating loss as a percentage of revenue	(6.1%)	(33.1%)	
Well servicing statistics:			
Number of service rigs (end of period)	210	163	28.8
Service rig operating hours	52,057	24,831	109.6
Service rig operating hour utilization	28%	16%	
Service rig revenue per operating hour	636	745	(14.6)

(1) Certain expenses in the prior year comparative have been reclassified to conform to current year presentation.

(2) See "NON-GAAP MEASURES".

Revenue from Completion and Production Services was up \$18 million or 63% compared with the first quarter of 2016 due to higher activity levels in all service lines partially offset by lower average rates. As oil prices have recovered, customers have increased spending and activity in well completion and production programs. Our well servicing activity in the quarter was up 110% from the first quarter of 2016. Approximately 82% of our first quarter Canadian service rig activity was oil related.

During the quarter, Completion and Production Services generated 91% of its revenue from Canadian and 9% from U.S. operations as compared to the first quarter of 2016 of 90% from Canadian and 10% from U.S. operations.

Average service rig revenue per operating hour in the quarter was \$636 or \$109 lower than the first quarter of 2016. The decrease was primarily the result of industry pricing pressure.

Adjusted EBITDA was \$7 million higher than the first quarter of 2016 as increased activity combined with cost cutting initiatives more than offset lower rates.

Operating costs as a percentage of revenue decreased to 86% in the first quarter of 2017, from 92% in the first quarter of 2016. The decrease is the result of the impact of fixed costs spread across greater activity combined with our reduced cost structure.

Depreciation in the quarter was 3% higher than the first quarter of 2016 due to the addition of well servicing units offset by assets becoming fully depreciated.

SEGMENT REVIEW OF CORPORATE AND OTHER

Our Corporate and Other segment provides support functions to our operating segments. The Corporate and Other segment had an adjusted EBITDA loss of \$14 million in line with the first quarter of 2016 as slightly higher share based incentive compensation was offset by cost saving initiatives.

OTHER ITEMS

Net financial charges for the quarter were \$33 million, a decrease of \$3 million compared with the first quarter of 2016 primarily due to a reduction in interest expense related to debt retired in 2016. For the current quarter we incurred a nominal foreign exchange loss compared with a loss of \$8 million during the first quarter of 2016.

Income tax expense for the quarter was a recovery of \$23 million compared with a recovery of \$15 million in the same quarter in 2016. The recoveries are due to negative pretax earnings.

LIQUIDITY AND CAPITAL RESOURCES

The oilfield services business is inherently cyclical in nature. To manage this, we focus on maintaining a strong balance sheet so we have the financial flexibility we need to continue to manage our growth and cash flow, regardless of where we are in the business cycle.

We apply a disciplined approach to managing and tracking results of our operations to keep costs down. We maintain a variable cost structure so we can be responsive to changes in demand.

Our maintenance capital expenditures are tightly governed by and highly responsive to activity levels with additional cost savings leverage provided through our internal manufacturing and supply divisions. Term contracts on expansion capital for new-build rig programs provide more certainty of future revenues and return on our capital investments.

Liquidity

In January, 2017 we agreed with our lending group to the following amendments to our senior credit facility:

- Reduce the Adjusted EBITDA (as defined in the debt agreement) to interest expense coverage ratio to greater than 1.25:1 for the periods ending March 31, June 30 and September 30, 2017. For the periods ending December 31, 2017 and March 31, 2018 the ratio is 1.5:1 reverting to 2.5:1 thereafter.
- Reduce the size of the facility to US\$525 million and suspended the increase in the accordion feature to US\$275 million until the end of covenant relief period.

As at March 31, 2017 we had \$1,919 million outstanding under our senior unsecured notes. The current blended cash interest cost of our debt is approximately 6.5%.

Amount	Availability	Used for	Maturity
Senior facility (secured)			
US\$525 million (extendible, revolving term credit facility with US\$250 million ⁽¹⁾ accordion feature)	Drawn US\$41 million in outstanding letters of credit	General corporate purposes	June 3, 2019
Operating facilities (secured)			
\$40 million	Undrawn, except \$22 million in outstanding letters of credit	Letters of credit and general corporate purposes	
US\$15 million	Undrawn	Short term working capital requirements	
Demand letter of credit facility (secured)			
US\$30 million	Undrawn, except US\$5 million in outstanding letters of credit	Letters of credit	
Senior notes (unsecured)			
US\$372 million – 6.625%	Fully drawn	Debt repayment and general corporate purposes	November 15, 2020
US\$319 million – 6.5%	Fully drawn	Capital expenditures and general corporate purposes	December 15, 2021
US\$350 million – 7.75%	Fully drawn	Debt redemption and repurchases	December 15, 2023
US\$400 million – 5.25%	Fully drawn	Capital expenditures and general corporate purposes	November 15, 2024

(1) Increases to US\$275 million at the end of the covenant relief period of March 31, 2018.

Covenants

Senior Facility

The senior credit facility requires that we comply with certain financial covenants including a leverage ratio of consolidated senior debt to earnings before interest, taxes, depreciation and amortization as defined in the agreement (Adjusted EBITDA) of less than 2.5:1. For purposes of calculating the leverage ratio consolidated senior debt only includes secured indebtedness. Adjusted EBITDA, as defined in our revolving term facility agreement differs from Adjusted EBITDA as defined under Non-GAAP Measures by the exclusion of bad debt expense, restructuring costs and certain foreign exchange amounts. As at March 31, 2017 our consolidated senior debt to Adjusted EBITDA ratio was negative 0.09:1.

Effective January 20, 2017, under the senior credit facility, we are required to maintain an Adjusted EBITDA coverage ratio, calculated as Adjusted EBITDA to interest expense for the most recent four consecutive quarters, of greater than 1.25:1 for the periods ending March 31, June 30 and September 30, 2017. For the periods ending December 31, 2017 and March 31, 2018 the ratio is 1.5:1 reverting to 2.5:1 thereafter. As at March 31, 2017 our senior credit facility Adjusted EBITDA coverage ratio was 1.60:1.

The senior credit facility also prevents us from making distributions prior to April 1, 2018 and restricts our ability to repurchase our unsecured senior notes subject to a pro forma liquidity test of US\$500 million.

In addition, the senior credit facility contains certain covenants that place restrictions on our ability to incur or assume additional indebtedness; dispose of assets; pay dividends, undertake share redemptions or other distributions; change our primary business; incur liens on assets; engage in transactions with affiliates; enter into mergers, consolidations or amalgamations; and enter into speculative swap agreements.

At March 31, 2017, we were in compliance with the covenants of the senior credit facility.

Senior Notes

The senior notes require that we comply with certain covenants including an incurrence based consolidated interest coverage ratio test, as defined in the senior note agreements, of greater than 2.0:1 for the most recent four consecutive fiscal quarters. In the event that our consolidated interest coverage ratio is less than 2.0:1 for the most recent four consecutive fiscal quarters the senior

notes restrict our ability to incur additional indebtedness. As at March 31, 2017, our senior notes consolidated interest coverage ratio was 1.40:1 which limits our ability to incur additional indebtedness, except as permitted under the agreements, until such time as we are in compliance with the ratio test, but would not restrict our access to available funds under the senior credit facility or to refinance our existing debt. Furthermore, it does not give rise to any cross-covenant violations, give the lenders the right to demand repayment of any outstanding portion of the senior notes prior to the stated maturity dates, or provide any other forms of recourse to the lenders.

The senior notes contain a restricted payments covenant that limits our ability to make payments in the nature of dividends, distributions and repurchases from shareholders. This restricted payment basket grows from a starting point of January 1, 2010 for the 2020, 2021 and 2024 Senior Notes and from November 1, 2016 for the 2023 Senior Notes by, among other things, 50% of consolidated net earnings and decreases by 100% of consolidated net losses as defined in the note agreements, and payments made to shareholders. Beginning with the December 31, 2015 calculation the governing net restricted payments basket was negative and as of that date we were no longer able to declare and make dividend payments until such time as the restricted payments baskets once again become positive. For further information, please see the senior note indentures which are available on SEDAR and EDGAR.

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

Hedge of investments in foreign operations

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

We have designated our U.S. dollar denominated long-term debt as a net investment hedge in our U.S. operations and other foreign operations that have a U.S. dollar functional currency. To be accounted for as a hedge, the foreign currency denominated long-term debt must be designated and documented as such and must be effective at inception and on an ongoing basis. We recognize the effective amount of this hedge (net of tax) in other comprehensive income. We recognize ineffective amounts (if any) in net earnings (loss).

QUARTERLY FINANCIAL SUMMARY

(Stated in thousands of Canadian dollars, except per share amounts)

Quarters ended	2016			2017
	June 30	September 30	December 31	March 31
Revenue	163,979	201,802	283,903	345,800
Adjusted EBITDA ⁽¹⁾	22,400	41,411	65,000	84,308
Net loss:	(57,677)	(47,377)	(30,618)	(22,614)
Per basic share	(0.20)	(0.16)	(0.10)	(0.08)
Per diluted share	(0.20)	(0.16)	(0.10)	(0.08)
Funds provided by (used in) operations ⁽¹⁾	(31,372)	31,688	11,466	85,659
Cash provided by (used in) operations	20,665	17,515	(27,846)	33,770

(Stated in thousands of Canadian dollars, except per share amounts)

Quarters ended	2015			2016
	June 30	September 30	December 31	March 31
Revenue	334,462	364,089	344,953	301,727
Adjusted EBITDA ⁽¹⁾	88,355	111,031	111,095	99,264
Net loss:	(29,817)	(86,700)	(270,952)	(19,883)
Per basic share	(0.10)	(0.30)	(0.93)	(0.07)
Per diluted share	(0.10)	(0.30)	(0.93)	(0.07)
Funds provided by operations ⁽¹⁾	53,173	99,228	49,503	93,593
Cash provided by operations	169,877	61,049	70,952	112,174
Dividends paid per share	0.07	0.07	0.07	-

(1) See "NON-GAAP MEASURES".

NON-GAAP MEASURES

In this press release we reference non-GAAP (Generally Accepted Accounting Principles) measures. Adjusted EBITDA, Operating Earnings (Loss) and Funds Provided by Operations are terms used by us to assess performance as we believe they provide useful supplemental information to investors. These terms do not have standardized meanings prescribed under International Financial Reporting Standards (IFRS) and may not be comparable to similar measures used by other companies.

Adjusted EBITDA

We believe that adjusted EBITDA (earnings before income taxes, gain on repurchase of unsecured senior notes, financing charges, foreign exchange and depreciation and amortization), as reported in the Interim Consolidated Statement of Loss, is a useful measure, because it gives an indication of the results from our principal business activities prior to consideration of how our activities are financed and the impact of foreign exchange, taxation and non-cash impairment, decommissioning, depreciation and amortization charges.

Operating Earnings (Loss)

We believe that operating earnings (loss), as reported in the Interim Consolidated Statements of Loss, is a useful measure because it provides an indication of the results of our principal business activities before consideration of how those activities are financed and the impact of foreign exchange and taxation.

Funds Provided by Operations

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

In particular, forward looking information and statements include, but are not limited to, the following:

- our strategic priorities for 2017;
- our capital expenditure plans for 2017;
- anticipated activity levels in 2017 and our scheduled infrastructure projects;
- anticipated demand for Tier 1 rigs; and
- the average number of term contracts in place for 2017 and 2018.

These forward-looking information and statements are based on certain assumptions and analysis made by Precision in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. These include, among other things:

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

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

- volatility in the price and demand for oil and natural gas;
- fluctuations in the demand for contract drilling, well servicing and ancillary oilfield services;
- our customers' inability to obtain adequate credit or financing to support their drilling and production activity;
- changes in drilling and well servicing technology which could reduce demand for certain rigs or put us at a competitive disadvantage;
- shortages, delays and interruptions in the delivery of equipment supplies and other key inputs;
- the effects of seasonal and weather conditions on operations and facilities;
- the availability of qualified personnel and management;
- a decline in our safety performance which could result in lower demand for our services;
- changes in environmental laws and regulations such as increased regulation of hydraulic fracturing or restrictions on the burning of fossil fuels and greenhouse gas emissions, which could have an adverse impact on the demand for oil and gas;
- terrorism, social, civil and political unrest in the foreign jurisdictions where we operate;
- fluctuations in foreign exchange, interest rates and tax rates; and
- other unforeseen conditions which could impact the use of services supplied by Precision and Precision's ability to respond to such conditions.

Readers are cautioned that the forgoing list of risk factors is not exhaustive. Additional information on these and other factors that could affect our business, operations or financial results are included in reports on file with applicable securities regulatory authorities, including but not limited to Precision's Annual Information Form for the year ended December 31, 2016, which may be accessed on Precision's SEDAR profile at www.sedar.com or under Precision's EDGAR profile at www.sec.gov. The forward-looking information and statements contained in this news release are made as of the date hereof and Precision undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a results of new information, future events or otherwise, except as required by law.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

<i>(Stated in thousands of Canadian dollars)</i>	March 31, 2017	<i>December 31, 2016</i>
ASSETS		
Current assets:		
Cash	\$ 120,580	\$ 115,705
Accounts receivable	319,349	293,682
Income tax recoverable	38,732	38,087
Inventory	25,577	24,136
Total current assets	504,238	471,610
Non-current assets:		
Property, plant and equipment	3,546,913	3,641,889
Intangibles	3,260	3,316
Goodwill	207,125	207,399
Total non-current assets	3,757,298	3,852,604
Total assets	\$ 4,261,536	\$ 4,324,214
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 255,346	\$ 240,736
Total current liabilities	255,346	240,736
Non-current liabilities:		
Share based compensation (Note 6)	13,640	27,387
Provisions and other	12,257	12,421
Long-term debt (Note 3)	1,892,739	1,906,934
Deferred tax liabilities	150,347	174,618
Total non-current liabilities	2,068,983	2,121,360
Shareholders' equity:		
Shareholders' capital (Note 4)	2,319,293	2,319,293
Contributed surplus	40,070	38,937
Deficit	(575,182)	(552,568)
Accumulated other comprehensive income (Note 5)	153,026	156,456
Total shareholders' equity	1,937,207	1,962,118
Total liabilities and shareholders' equity	\$ 4,261,536	\$ 4,324,214

See accompanying notes to interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF LOSS (UNAUDITED)

<i>(Stated in thousands of Canadian dollars, except per share amounts)</i>	Three months ended March 31,	
	2017	2016
Revenue	\$ 345,800	301,727
Expenses:		
Operating	236,206	171,837
General and administrative	25,286	27,187
Restructuring	–	3,439
Earnings before income taxes, gain on repurchase of unsecured senior notes, finance charges, foreign exchange and depreciation and amortization	84,308	99,264
Depreciation and amortization	97,163	95,249
Operating earnings (loss)	(12,855)	4,015
Foreign exchange	47	7,581
Finance charges (Note 7)	32,982	36,237
Gain on repurchase of unsecured senior notes	–	(4,873)
Loss before income taxes	(45,884)	(34,930)
Income taxes:		
Current	890	(2,964)
Deferred	(24,160)	(12,083)
	(23,270)	(15,047)
Net loss	\$ (22,614)	(19,883)
Net loss per share: (Note 8)		
Basic	\$ (0.08)	(0.07)
Diluted	\$ (0.08)	(0.07)

See accompanying notes to interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

<i>(Stated in thousands of Canadian dollars)</i>	Three months ended March 31,	
	2017	2016
Net loss	\$ (22,614)	(19,883)
Unrealized loss on translation of assets and liabilities of operations denominated in foreign currency	(18,554)	(154,098)
Foreign exchange gain on net investment hedge with U.S. denominated debt, net of tax	15,124	125,473
Comprehensive loss	\$ (26,044)	(48,508)

See accompanying notes to interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

<i>(Stated in thousands of Canadian dollars)</i>	Three months ended March 31,	
	2017	2016
Cash provided by (used in):		
Operations:		
Net loss	\$ (22,614)	(19,883)
Adjustments for:		
Long-term compensation plans	2,933	7,524
Depreciation and amortization	97,163	95,249
Gain on repurchase of unsecured senior notes	–	(4,873)
Foreign exchange	48	7,983
Finance charges	32,982	36,237
Income taxes	(23,270)	(15,047)
Other	(170)	(378)
Income taxes paid	(1,050)	(5,767)
Income taxes recovered	332	–
Interest paid	(1,908)	(8,031)
Interest received	1,213	579
Funds provided by operations	85,659	93,593
Changes in non-cash working capital balances	(51,889)	18,581
	33,770	112,174
Investments:		
Purchase of property, plant and equipment	(22,092)	(27,161)
Proceeds on sale of property, plant and equipment	2,218	2,157
Changes in non-cash working capital balances	(8,391)	(26,109)
	(28,265)	(51,113)
Financing:		
Repurchase of unsecured senior notes	–	(8,409)
Debt issue costs	(341)	–
Issuance of common shares on the exercise of options	–	190
	(341)	(8,219)
Effect of exchange rate changes on cash and cash equivalents	(289)	(21,245)
Increase in cash and cash equivalents	4,875	31,597
Cash and cash equivalents, beginning of period	115,705	444,759
Cash and cash equivalents, end of period	\$ 120,580	476,356

See accompanying notes to interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

<i>(Stated in thousands of Canadian dollars)</i>	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income (Note 5)	Deficit	Total equity
Balance at January 1, 2017	\$ 2,319,293	\$ 38,937	\$ 156,456	\$ (552,568)	\$ 1,962,118
Net loss for the period	–	–	–	(22,614)	(22,614)
Other comprehensive loss for the period	–	–	(3,430)	–	(3,430)
Share based compensation expense (Note 6)	–	1,133	–	–	1,133
Balance at March 31, 2017	\$ 2,319,293	\$ 40,070	\$ 153,026	\$ (575,182)	\$ 1,937,207

<i>(Stated in thousands of Canadian dollars)</i>	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity
Balance at January 1, 2016	\$ 2,316,321	\$ 35,800	\$ 166,101	\$ (397,013)	\$ 2,121,209
Net loss for the period	–	–	–	(19,883)	(19,883)
Other comprehensive loss for the period	–	–	(28,625)	–	(28,625)
Share options exercised	294	(104)	–	–	190
Share based compensation expense (Note 6)	–	1,209	–	–	1,209
Balance at March 31, 2016	\$ 2,316,615	\$ 36,905	\$ 137,476	\$ (416,896)	\$ 2,074,100

See accompanying notes to interim consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

NOTE 1. DESCRIPTION OF BUSINESS

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

NOTE 2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Corporation as at and for the year ended December 31, 2016.

These condensed consolidated interim financial statements were prepared using accounting policies and methods of their application consistent with those used in the preparation of the Corporation’s consolidated audited annual financial statements for the year ended December 31, 2016.

These condensed consolidated interim financial statements were approved by the Board of Directors on April 21, 2017.

(b) Seasonality

Precision has operations that are carried on in Canada which represent approximately 41% (2016 - 45%) of consolidated total assets as at March 31, 2017 and 52% (2015 - 41%) of consolidated revenue for the three months ended March 31, 2017. The ability to move heavy equipment in Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this “spring break-up” has a direct impact on Precision’s activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. The timing of freeze up and spring break-up affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally Precision’s slowest time in this region.

(c) Accounting Standards, Interpretations and Amendments to Existing Standards not yet Effective

IFRS 15, Revenue from Contracts with Customers, becomes effective for annual reporting periods beginning on or after January 1, 2018. The Corporation has made progress in its determination of performance obligations in its drilling and well servicing contracts and is currently evaluating the performance obligations for its other revenue streams. At this point, the Corporation has not determined the impact that the implementation of this new standard will have on its financial statements.

(d) Reclassification of prior period amounts

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current period.

NOTE 3. LONG-TERM DEBT

	March 31, 2017	December 31, 2016
Senior Credit Facility	\$ -	\$ -
Unsecured senior notes:		
6.625% senior notes due 2020 (US\$371.8 million)	495,247	499,150
6.5% senior notes due 2021 (US\$318.6 million)	424,472	427,818
7.75% senior notes due 2023 (US\$350.0 million)	466,270	469,945
5.25% senior notes due 2024 (US\$400.0 million)	532,880	537,080
	1,918,869	1,933,993
Less net unamortized debt issue costs	(26,130)	(27,059)
	\$ 1,892,739	\$ 1,906,934

On January 20, 2017 we agreed with the lenders of our Senior Credit Facility to reduce the Adjusted EBITDA (as defined in the debt agreement) to interest expense coverage ratio to greater than 1.25:1 for the periods ending March 31, June 30 and September 30, 2017. For the periods ending December 31, 2017 and March 31, 2018 the ratio is 1.5:1 reverting to 2.5:1 thereafter. Further we reduced the size of the facility to US\$525 million and suspended the increase in the accordion feature to US\$275 million until the end of covenant relief period.

At March 31, 2017 we were in compliance with the covenants of our Senior Credit Facility.

The senior notes require that we comply with certain covenants including an incurrence based test consolidated interest coverage ratio test, as defined in the senior note agreements, of greater than 2.0:1 for the most recent four consecutive fiscal quarters. In the event that our consolidated interest coverage ratio is less than 2.0:1 for the most recent four consecutive fiscal quarters the senior notes restrict our ability to incur additional indebtedness. As at March 31, 2017, our senior notes consolidated interest coverage ratio was 1.40:1 which limits our ability to incur additional indebtedness, except as permitted under the agreements, until such time as we are in compliance with the ratio test but would not restrict our access to available funds under the senior credit facility or refinance our existing debt. Furthermore, it does not give rise to any cross-covenant violations, give the lenders the right to demand repayment of any outstanding portion of the senior notes prior to the stated maturity dates, or provide any other forms of recourse to the lenders.

Long-term debt obligations at March 31, 2017 will mature as follows:

2020	\$ 495,247
2021	424,472
Thereafter	999,150
	\$ 1,918,869

NOTE 4. SHAREHOLDERS' CAPITAL

	Number	Amount
Common shares		
Balance December 31, 2016 and March 31, 2017	293,238,858	\$ 2,319,293

NOTE 5. ACCUMULATED OTHER COMPREHENSIVE INCOME

		Unrealized Foreign Currency Translation Gains		Foreign Exchange Loss on Net Investment Hedge		Accumulated Other Comprehensive Income
Balance, December 31, 2016	\$	587,278	\$	(430,822)	\$	156,456
Other comprehensive income (loss)		(18,554)		15,124		(3,430)
Balance, March 31, 2017	\$	568,724	\$	(415,698)	\$	153,026

NOTE 6. SHARE BASED COMPENSATION PLANS

Liability Classified Plans

		Restricted Share Units ^(a)		Performance Share Units ^(a)		Share Appreciation Rights ^(b)		Non- Management Directors' DSUs ^(c)		Total
Balance, December 31, 2016	\$	15,592	\$	29,045	\$	3	\$	4,602	\$	49,242
Expensed (recovered) during the period		1,427		1,158		(3)		(444)		2,138
Payments		(10,541)		(12,956)		–		–		(23,497)
Balance, March 31, 2017	\$	6,478	\$	17,247	\$	–	\$	4,158	\$	27,883
Current	\$	4,828	\$	9,415	\$	–	\$	–	\$	14,243
Long-term		1,650		7,832		–		4,158		13,640
	\$	6,478	\$	17,247	\$	–	\$	4,158	\$	27,883

(a) Restricted Share Units and Performance Share Units

A summary of the activity under the restricted share unit (RSUs) and the performance share unit (PSUs) plans are presented below:

	RSUs Outstanding	PSUs Outstanding
December 31, 2016	3,129,039	6,493,798
Granted	1,020,500	1,926,100
Redeemed	(1,381,122)	(1,253,707)
Forfeitures	(68,555)	(52,507)
March 31, 2017	2,699,862	7,113,684

(b) Share Appreciation Rights

A summary of the activity under the share appreciation rights plan is presented below:

	Outstanding		Range of Exercise Price (US\$)		Weighted Average Exercise Price (US\$)	Exercisable
December 31, 2016	253,376	\$	15.22 – 15.79	\$	15.47	253,376
Forfeitures	(109,307)		15.79–15.79		15.79	
March 31, 2017	144,069	\$	15.22–15.22	\$	15.22	144,069

(c) Non-Management Directors – Deferred Share Unit Plan

A summary of the activity under the non-management director deferred share unit plan is presented below:

	Outstanding
December 31, 2016	621,821
Granted	59,336
March 31, 2017	681,157

Equity Settled Plans

(d) Non-Management Directors

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

Deferred Share Units	Outstanding
December 31, 2016 and March 31, 2017	195,743

(e) Option Plan

A summary of the activity under the option plan is presented below:

<i>Canadian share options</i>	Outstanding		Range of Exercise Price		Weighted Average Exercise Price	Exercisable
December 31, 2016	6,188,672	\$	4.46 – 14.50	\$	8.70	4,369,155
Granted	377,100		7.30 – 7.30		7.30	
Forfeitures	(708,501)		8.59 – 8.59		8.59	
March 31, 2017	5,857,271	\$	4.46 – 14.50	\$	8.62	4,594,394

<i>U.S. share options</i>	Outstanding	Range of Exercise Price (US\$)		Weighted Average Exercise Price (US\$)	Exercisable
December 31, 2016	5,337,070	\$ 3.21	– 15.21	\$ 6.69	2,626,326
Granted	1,152,200	5.57	– 5.57	5.57	
Forfeitures	(294,367)	8.06	– 10.74	8.15	
March 31, 2017	6,194,903	\$ 3.21	– 15.21	\$ 6.41	3,442,558

The per option weighted average fair value of the share options granted during 2017 was \$3.11 estimated on the grant date using the Black-Scholes option pricing model with the following assumptions: average risk-free interest rate 1.5%, average expected life of four years, expected forfeiture rate of 5% and expected volatility of 54%. Included in net earnings for the three months ended March 31, 2017 is an expense of \$1.1 million (2016 - \$1.2 million).

NOTE 7. FINANCE CHARGES

	Three months ended March 31,	
	2017	2016
Interest:		
Long-term debt	\$ 32,717	\$ 35,352
Other	142	175
Income	(1,202)	(598)
Amortization of debt issue costs	1,325	1,308
Finance charges	\$ 32,982	\$ 36,237

NOTE 8. PER SHARE AMOUNTS

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

	Three months ended March 31,	
	2017	2016
Net loss - basic and diluted	\$ (22,614)	\$ (19,883)

	Three months ended March 31,	
	2017	2016
<i>(Stated in thousands)</i>		
Weighted average shares outstanding – basic	293,239	292,919
Effect of stock options and other equity compensation plans	–	–
Weighted average shares outstanding – diluted	293,239	292,919

NOTE 9. SEGMENTED INFORMATION

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

		Contract Drilling Services	Completion and Production Services	Corporate and Other	Inter- Segment Eliminations	Total
Three months ended March 31, 2017						
Revenue	\$	301,057	\$ 46,349	\$ –	\$ (1,606)	\$ 345,800
Operating earnings (loss)		7,476	(2,816)	(17,515)	–	(12,855)
Depreciation and amortization		86,189	7,403	3,571	–	97,163
Total assets		3,850,112	225,930	185,494	–	4,261,536
Goodwill		207,125	–	–	–	207,125
Capital expenditures		18,507	1,554	2,031	–	22,092

		Contract Drilling Services	Completion and Production Services	Corporate and Other	Inter- Segment Eliminations	Total
Three months ended March 31, 2016						
Revenue	\$	274,837	\$ 28,454	\$ –	\$ (1,564)	\$ 301,727
Operating earnings (loss)		31,338	(9,417)	(17,906)	–	4,015
Depreciation and amortization		84,279	7,210	3,760	–	95,249
Total assets		3,936,936	213,458	468,632	–	4,619,026
Goodwill		206,207	–	–	–	206,207
Capital expenditures		24,733	343	2,085	–	27,161

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

		Canada	United States	International	Inter- Segment Eliminations	Total
Three months ended March 31, 2017						
Revenue	\$	178,235	\$ 123,064	\$ 48,078	\$ (3,577)	\$ 345,800
Total assets		1,750,041	1,830,094	681,401	–	4,261,536

		Canada	United States	International	Inter- Segment Eliminations	Total
Three months ended March 31, 2016						
Revenue	\$	124,755	\$ 135,094	\$ 43,628	\$ (1,750)	\$ 301,727
Total assets		2,094,586	1,908,938	615,502	–	4,619,026

NOTE 10. FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying value of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair value due to the relatively short period to maturity of the instruments. The fair value of the unsecured senior notes at March 31, 2017 was approximately \$1,924 million (December 31, 2016 - \$1,917 million).

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

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

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

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

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

SHAREHOLDER INFORMATION

STOCK EXCHANGE LISTINGS

Shares of Precision Drilling Corporation are listed on the Toronto Stock Exchange under the trading symbol PD and on the New York Stock Exchange under the trading symbol PDS.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Calgary, Alberta

TRANSFER POINT

Computershare Trust Company NA
Canton, Massachusetts

Q1 2017 TRADING PROFILE

Toronto (TSX: PD)

High: \$8.11

Low: \$5.82

Close: \$6.29

Volume Traded: 100,508,662

New York (NYSE: PDS)

High: US\$6.14

Low: US\$4.33

Close: US\$4.72

Volume Traded: 170,440,900

ACCOUNT QUESTIONS

Precision's Transfer Agent can help you with a variety of shareholder related services, including:

- change of address
- lost unit certificates
- transfer of shares to another person
- estate settlement

Computershare Trust Company of Canada
100 University Avenue
9th Floor, North Tower
Toronto, Ontario M5J 2Y1
Canada

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

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

Email: service@computershare.com

ONLINE INFORMATION

To receive news releases by email, or to view this interim report online, please visit Precision's website at www.precisiondrilling.com and refer to the Investor Relations section. Additional information relating to Precision, including the Annual Information Form, Annual Report and Management Information Circular has been filed with SEDAR and is available at www.sedar.com and on the EDGAR website www.sec.gov.

CORPORATE INFORMATION

DIRECTORS

William T. Donovan
Brian J. Gibson
Allen R. Hagerman, FCA
Catherine J. Hughes
Steven W. Krablin
Stephen J.J. Letwin
Kevin O. Meyers
Kevin A. Neveu
Robert L. Phillips

OFFICERS

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