Precision
DRILLING

Precision Drilling Corporation

First Quarter Report for the three months ended March 31, 2018 and 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis for the three month period ended March 31, 2018 of Precision Drilling Corporation ("Precision" or the "Corporation") prepared as at April 25, 2018 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 2017 Annual Report, Annual Information Form, unaudited March 31, 2018 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, Covenant EBITDA, Operating Earnings (Loss), Funds Provided by Operations and Working Capital. 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 2018 first quarter financial results:

- First quarter revenue of $401 million was an increase of 9% over the prior year comparative quarter.
- First quarter net loss of $18 million ($0.06 per share) compares to a net loss of $23 million ($0.08 per share) in the first quarter of 2017.
- First quarter earnings before income taxes, finance charges, foreign exchange, and depreciation and amortization (adjusted EBITDA see "NON-GAAP MEASURES") of $97 million was 16% higher than the first quarter of 2017.
- Funds provided by operations (see "NON-GAAP MEASURES") in the first quarter of $104 million was an increase of 21% over the prior year comparative quarter.
- First quarter capital expenditures were $30 million.

SELECT FINANCIAL AND OPERATING INFORMATION

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

Financial Highlights

	Three months ended March 31,		
(Stated in thousands of Canadian dollars, except per share amounts)	**2018**	2017	% Change
Revenue[1]	**401,006**	368,673	8.8
Adjusted EBITDA[2]	**97,469**	84,308	15.6
Net loss	**(18,077)**	(22,614)	(20.1)
Cash provided by operations	**38,189**	33,770	13.1
Funds provided by operations[2]	**104,026**	85,659	21.4
Capital spending:			
Expansion	**685**	3,792	(81.9)
Upgrade	**11,363**	13,647	(16.7)
Maintenance and infrastructure	**10,243**	2,984	243.3
Intangibles	**7,791**	1,669	366.8
Proceeds on sale	**(6,050)**	(2,218)	172.8
Net capital spending	**24,032**	19,874	20.9
Net loss per share:			
Basic	**(0.06)**	(0.08)	(25.0)
Diluted	**(0.06)**	(0.08)	(25.0)

(1) Prior year comparatives have changed to reflect a recast of certain amounts previously netted against operating expense. See our 2017 Annual Report.
(2) See "NON-GAAP MEASURES".

Operating Highlights

	Three months ended March 31,		
	2018	2017	% Change
Contract drilling rig fleet	**256**	255	0.4
Drilling rig utilization days:			
Canada	**6,468**	6,819	(5.1)
U.S.	**5,795**	4,190	38.3
International	**720**	720	-
Revenue per utilization day:			
Canada[1][2] *(Cdn$)*	**22,209**	21,405	3.8
U.S.[1][3] *(US$)*	**20,603**	20,555	0.2
International *(US$)*	**50,038**	50,434	(0.8)
Operating cost per utilization day:			
Canada *(Cdn$)*	**13,331**	12,828	3.9
U.S. *(US$)*	**14,026**	15,264	(8.1)
Service rig fleet	**210**	210	-
Service rig operating hours	**52,701**	52,057	1.2
Revenue per operating hour *(Cdn$)*	**700**	636	10.1

(1) Prior year comparatives have changed to reflect a recast of certain amounts previously netted against operating expense. See our 2017 Annual Report.
(2) Includes lump sum revenue from contract shortfall.
(3) 2017 comparative includes revenue from idle but contracted rig days.

Financial Position

(Stated in thousands of Canadian dollars, except ratios)	**March 31, 2018**	December 31, 2017
Working capital[(1)]	**270,173**	232,121
Cash	**81,873**	65,081
Long-term debt[(2)]	**1,776,763**	1,730,437
Total long-term financial liabilities	**1,792,810**	1,754,059
Total assets	**3,929,703**	3,892,931
Long-term debt to long-term debt plus equity ratio[(2)]	**0.50**	0.49

(1) See "NON-GAAP MEASURES".
(2) Net of unamortized debt issue costs.

Summary for the three months ended March 31, 2018:

- Revenue this quarter was $401 million which is 9% higher than the first quarter of 2017. The increase in revenue is primarily the result of higher activity in our U.S. contract drilling business. Compared with the first quarter of 2017 our activity for the quarter, as measured by drilling rig utilization days, increased 38% in the U.S. and decreased 5% in Canada and remained consistent internationally. Revenue from our Contract Drilling Services and Completion and Production Services segments both increased over the comparative prior year period by 9% and 8%, respectively.
- Adjusted EBITDA this quarter of $97 million is an increase of $13 million from the first quarter of 2017. Our adjusted EBITDA as a percentage of revenue was 24% this quarter, compared with 23% in the first quarter of 2017. The increase in adjusted EBITDA as a percent of revenue was mainly due to higher average day rates in Canada, fixed costs spread over higher activity in the U.S. and lower average daily operating costs in the U.S. and International.
- Operating earnings (see "NON-GAAP MEASURES") this quarter were $10 million compared with an operating loss of $13 million in the first quarter of 2017. Operating earnings this quarter were positively impacted by the increase in activity in our U.S. contract drilling business and lower depreciation expense.
- General and administrative expenses this quarter were $29 million, $4 million higher than the first quarter of 2017. The increase is due to higher share-based compensation expense tied to our common shares partially offset by a strengthening of the Canadian dollar on our U.S. dollar denominated costs. As at March 31, 2018 we have a total share-based incentive compensation liability of $16 million compared with $22 million at December 31, 2017 with $13 million paid in the quarter.
- Net finance charges were $32 million, a decrease of $1 million compared with the first quarter of 2017, primarily due to a reduction in interest expense related to debt retired in 2017 and the strengthening Canadian dollar impact on our U.S. dollar denominated costs partially offset by lower interest income in the current quarter.
- In Canada, average revenue per utilization day for contract drilling rigs increased in the first quarter of 2018 to $22,209 from $21,405 in the prior year first quarter as higher spot market day rates more than offset fewer rigs working under higher priced legacy contracts. During the quarter, we recognized $10 million in revenue associated with contract shortfall payments in Canada which was an increase of $1 million from the prior year period. In the U.S., revenue per utilization day increased in the first quarter of 2018 to US$20,603 from US$20,555 in the prior year first quarter. The increase in the U.S. revenue rate was the result of higher spot market day rates and higher turnkey revenue offset by rig mix, lower mobilization revenue and lower revenue from idle but contracted rigs. During the quarter, we had turnkey revenue of US$7 million compared with US$1 million in the 2017 comparative period and no revenue from idle but contracted rigs in the current quarter versus US$3 million in the comparative period. On a sequential basis, revenue per utilization day excluding revenue from idle but contracted rigs increased by US$566 due to higher fleet average day rates and higher turnkey revenue when compared to the fourth quarter of 2017.
- Average operating costs per utilization day for drilling rigs in Canada increased to $13,331 compared with the prior year first quarter of $12,828. The increase in average costs was due to larger average crew formations and the timing of equipment certifications. On a sequential basis, operating costs per day decreased by $213 compared to the fourth quarter of 2017 due to improved fixed cost absorption. In the U.S., operating costs for the quarter on a per day basis decreased to US$14,026 in 2018 compared with US$15,264 in 2017 due to lower lump sum move costs and fixed costs spread over a greater number of utilization days partially offset by turnkey work. On a sequential basis, operating costs per day increased by US$379 compared to the fourth quarter of 2017 due to increased turnkey work.

- We realized revenue from international contract drilling of US$36 million in the first quarter of 2018, in-line with the prior year period. Average revenue per utilization day in our international contract drilling business was US$50,038 in-line with the comparable prior year quarter.
- Directional drilling services realized revenue of $9 million in the first quarter of 2018 compared with $13 million in the prior year period.
- Funds provided by operations in the first quarter of 2018 were $104 million, an increase of $18 million from the prior year comparative quarter of $86 million. The increase was primarily the result of improved operating results.
- Capital expenditures were $30 million in the first quarter, an increase of $8 million over the same period in 2017. Capital spending for the quarter included $12 million for upgrade and expansion capital, $10 million for the maintenance of existing assets and infrastructure spending and $8 million for intangibles.

STRATEGY

Precision's strategic priorities for 2018 are as follows:

1. **Reduce debt by generating free cash flow while continuing to fund only the most attractive investment opportunities** – we generated $104 million in funds from operations (see "NON-GAAP MEASURES") representing a 21% increase over the prior year comparative period.
2. **Reinforce Precision's High Performance competitive advantage by deploying Process Automation Controls (PAC), Directional Guidance Systems (DGS) and Drilling Apps on a wide scale basis** – year to date in 2018 we have drilled 57 wells using our DGS which is the same number of wells as we drilled in all of 2017. In addition, over 75% of these jobs used a reduced crew compared to only 30% in 2017. We have 21 rigs currently running in the field with PAC and have drilled 137 wells with this technology in 2018 compared to 154 in all of 2017. Earlier this year we also equipped our training rigs in Nisku and Houston with PAC technology. Customer adoption is rising, and we expect to be running an additional five to ten systems by year end, continuing full scale deployment and commercialization. Additionally, we are deploying revenue generating Apps on several rigs including both customer and Precision written applications.
3. **Enhance financial performance through higher utilization and improved operating margins** – overall utilization days are 11% higher than the prior year comparative period while average operating margins (revenue less operating costs) are up 24%, 17% and 4% in our U.S., international and Canada contract drilling businesses respectively.

OUTLOOK

For the first quarter of 2018, the average West Texas Intermediate price of oil was 21% higher than the prior year comparative period while the average Henry Hub gas price was 7% lower and the average AECO price was 22% lower.

	Three months ended March 31,		Year ended December 31,
	2018	2017	2017
Average oil and natural gas prices			
Oil			
West Texas Intermediate (per barrel) (US$)	**62.95**	52.00	50.95
Natural gas			
Canada			
AECO (per MMBtu) (CDN$)	**2.05**	2.63	2.16
United States			
Henry Hub (per MMBtu) (US$)	**2.86**	3.07	2.98

Contracts

Year to date in 2018 we have entered into 19 term contracts. The following chart outlines the average number of drilling rigs by quarter that we had under contract for 2017, the first quarter of 2018 and the average number of drilling rigs by quarter we have under contract for 2018 as of April 25, 2018.

	Average for the quarter ended 2017				Average for the quarter ended 2018			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Average rigs under term contract as at April 25, 2018:								
Canada	27	23	19	12	8	6	6	6
U.S.	26	33	31	27	36	47	38	24
International	8	8	8	8	8	8	7	6
Total	61	64	58	47	52	61	51	36

The following chart outlines the average number of drilling rigs that we had under contract for 2017 and the average number of rigs we have under contract for 2018 as of April 25, 2018.

	Average for the year ended	
	2017	2018
Average rigs under term contract as at April 25, 2018:		
Canada	20	7
U.S.	29	36
International	8	7
Total	57	50

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.

Drilling Activity

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

	Average for the quarter ended 2017				**2018**
	Mar. 31	June 30	Sept. 30	Dec. 31	**Mar. 31**
Average Precision active rig count:					
Canada	76	29	49	54	**72**
U.S.	47	59	61	58	**64**
International	8	8	8	8	**8**
Total	131	96	118	120	**144**

To start 2018, drilling activity has increased relative to this time last year in the U.S. and is down slightly in Canada. According to industry sources, as of April 20, 2018, the U.S. active land drilling rig count was up approximately 19% from the same point last year and the Canadian active land drilling rig count was down approximately 8%. In North America, the trend towards oil-directed drilling continues. To date in 2018, approximately 64% of the Canadian industry's active rigs and 81% of the U.S. industry's active rigs were drilling for oil targets, compared with 53% for Canada and 80% for the U.S. at the same time last year.

Tier 1 Rig Demand

With improved commodity prices and increasing activity levels, last year we were able to increase prices on spot market rigs across most of our fleet. Should commodity prices continue to improve, we expect sequential improvements in pricing in the U.S. Our AC Super Triple rig dayrates have increased substantially in the context of historical price movements and are now pricing US$10,000 per day higher than the lows in 2016.

We expect day rate stability across Canada with particular strength in the Deep Basin in Canada; however, leading edge rates are not expected to be as high as those in the U.S.

Industry Conditions

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 has been highlighted and widely accepted by our customers. The trend to longer-reach horizontal completions and importance of the rig delivering these complex wells consistently and efficiently has been well established by the industry. We expect demand for leading edge high efficiency Tier 1 rigs will continue to strengthen, as 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 rigs will continue this technical evolution while creating further cost efficiencies and performance value for customers.

Capital Spending

Capital spending in 2018 is expected to be $116 million and includes $57 million for sustaining and infrastructure, $45 million for upgrade and expansion and $14 million on intangibles. We expect that the $116 million will be split $97 million in the Contract Drilling Services segment, $5 million in the Completion and Production Services segment and $14 million to the Corporate segment.

SEGMENTED FINANCIAL RESULTS

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

	Three months ended March 31,		
(Stated in thousands of Canadian dollars)	**2018**	2017	% Change
Revenue:(1)			
Contract Drilling Services	**352,802**	323,930	8.9
Completion and Production Services	**50,042**	46,349	8.0
Inter-segment eliminations	**(1,838)**	(1,606)	14.4
	401,006	368,673	8.8
Adjusted EBITDA:(2)			
Contract Drilling Services	**110,966**	93,665	18.5
Completion and Production Services	**4,644**	4,587	1.2
Corporate and other	**(18,141)**	(13,944)	30.1
	97,469	84,308	15.6

(1) Prior year comparatives have changed to reflect a recast of certain amounts previously netted against operating expense. See our 2017 Annual Report.
(2) See "NON-GAAP MEASURES".

SEGMENT REVIEW OF CONTRACT DRILLING SERVICES

	Three months ended March 31,		
(Stated in thousands of Canadian dollars, except where noted)	**2018**	2017	% Change
Revenue[1]	**352,802**	323,930	8.9
Expenses:			
Operating[1]	**233,148**	220,817	5.6
General and administrative	**8,688**	9,448	(8.0)
Adjusted EBITDA[2]	**110,966**	93,665	18.5
Depreciation	**77,700**	86,189	(9.8)
Operating earnings[2]	**33,266**	7,476	345.0
Operating earnings as a percentage of revenue	**9.4%**	2.3%	

(1) Prior year comparatives have changed to reflect a recast of certain amounts previously netted against operating expense. See our 2017 Annual Report.
(2) See “NON-GAAP MEASURES”.

	Three months ended March 31,			
Canadian onshore drilling statistics:[1]	**2018**		2017	
	Precision	**Industry[2]**	Precision	Industry[2]
Number of drilling rigs (end of period)	**136**	**620**	135	641
Drilling rig operating days (spud to release)	**5,654**	**22,845**	6,041	23,323
Drilling rig operating day utilization	**47%**	**41%**	50%	41%
Number of wells drilled	**515**	**2,203**	564	2,284
Average days per well	**11.0**	**10.4**	10.7	10.2
Number of metres drilled (000s)	**1,498**	**6,365**	1,471	6,160
Average metres per well	**2,908**	**2,889**	2,608	2,697
Average metres per day	**265**	**279**	243	264

(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]	**2018**		2017	
	Precision	Industry[2]	Precision	Industry[2]
Average number of active land rigs for quarters ended:				
March 31	**64**	951	47	722

(1) United States lower 48 operations only.
(2) Baker Hughes rig counts.

Revenue from Contract Drilling Services was $353 million this quarter, or 9% higher than the first quarter of 2017, while adjusted EBITDA increased by 18% to $111 million. The increase in revenue was primarily due to higher utilization days in the U.S. During the quarter we recognized $10 million in shortfall payments in our Canadian contract drilling business, which was $1 million higher than in the prior year. During the quarter in the U.S. we recognized turnkey revenue of US$7 million compared with US$1 million in the comparative period and we did not recognize any idle but contracted revenue compared with US$3 million in the comparative quarter of 2017.

Drilling rig utilization days in Canada (drilling days plus move days) were 6,468 during the first quarter of 2018, a decrease of 5% compared to 2017 primarily due to a decrease in industry activity resulting from lower natural gas prices. Drilling rig utilization days in the U.S. were 5,795, or 38% higher than the same quarter of 2017 as our U.S. activity was up with higher industry activity. Drilling rig utilization days in our international business were 720, in-line with the same quarter of 2017.

Compared with the same quarter in 2017, drilling rig revenue per utilization day was up 4% in Canada due to an increase in spot market rates. Drilling rig revenue per utilization day for the quarter in the U.S. was in-line with the prior year as higher average day rates and higher turnkey revenue were offset by lower lump sum move revenue and lower idle but contract revenue. International revenue per utilization day was in-line with the prior year comparative period.

In Canada, 8% of our utilization days in the quarter were generated from rigs under term contract, compared with 31% in the first quarter of 2017. In the U.S., 58% of utilization days were generated from rigs under term contract as compared with 54% in the first quarter of 2017.

Operating costs were 66% of revenue for the quarter which was two percentage points lower than the prior year period. On a per utilization day basis, operating costs for the drilling rig division in Canada were higher than the prior year period primarily because of larger average crew sizes and higher repairs and maintenance costs related to the timing of certifications. In the U.S., operating costs for the quarter on a per day basis were lower than the prior year period primarily due to higher lump sum move costs in the prior period and the impact of fixed costs spread over higher activity partially offset by higher costs associated with turnkey activity.

Depreciation expense in the quarter was 10% lower than in the first quarter of 2017. The decrease in depreciation expense was primarily due to the strengthening of the Canadian dollar on our U.S. dollar denominated costs and a lower capital asset base as assets become fully depreciated.

SEGMENT REVIEW OF COMPLETION AND PRODUCTION SERVICES

	Three months ended March 31,		
(Stated in thousands of Canadian dollars, except where noted)	**2018**	2017	% Change
Revenue	**50,042**	46,349	8.0
Expenses:			
Operating	**43,264**	39,868	8.5
General and administrative	**2,134**	1,894	12.7
Adjusted EBITDA[(1)]	**4,644**	4,587	1.2
Depreciation	**6,875**	7,403	(7.1)
Operating loss[(1)]	**(2,231)**	(2,816)	(20.8)
Operating loss as a percentage of revenue	**(4.5)%**	(6.1)%	
Well servicing statistics:			
Number of service rigs (end of period)	**210**	210	-
Service rig operating hours	**52,701**	52,057	1.2
Service rig operating hour utilization	**28%**	28%	-
Service rig revenue per operating hour	**700**	636	10.1

(1) See “NON-GAAP MEASURES”.

Revenue from Completion and Production Services was up $4 million or 8% compared with the first quarter of 2017 due to higher activity in our Canada well servicing and our camp and catering businesses partially offset by lower activity in our rental business where we sold certain U.S. assets. Our well servicing activity in the quarter was up 1% from the first quarter of 2017 while rates increased an average of 10%. Approximately 97% of our first quarter Canadian service rig activity was oil related.

During the quarter, Completion and Production Services generated 94% of its revenue from Canadian operations and 6% from U.S. operations compared with the first quarter of 2017 of 91% from Canada and 9% from U.S. operations.

Average service rig revenue per operating hour in the quarter was $700 or $64 higher than the first quarter of 2017. The increase was primarily the result of rig mix and higher costs associated with increased northern work which were passed through to the customer.

Adjusted EBITDA was in-line with the first quarter of 2017 as increased revenue was the result of the recovery of increased costs in our Canada well servicing business.

Operating costs as a percentage of revenue was in-line with the prior year comparative quarter at 86%.

Depreciation in the quarter was $1 million lower than the prior year comparative period. The lower depreciation is due to a lower asset base as assets become 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 $18 million a $4 million greater loss compared with the first quarter of 2017 primarily due to higher share-based incentive compensation.

OTHER ITEMS

Net financial charges for the quarter were $32 million, a decrease of $1 million compared with the first quarter of 2017 primarily because of a stronger Canadian dollar on our U.S. dollar denominated interest expense and a reduction in interest expense related to debt retired in 2017 partially offset by lower interest income in the current period.

Income tax expense for the quarter was a recovery of $5 million compared with a recovery of $23 million in the same quarter in 2017. 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 maintain a variable operating 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

Amount	Availability	Used for	Maturity
Senior facility (secured)			
US$500 million (extendible, revolving term credit facility with US$250 million[1] accordion feature)	Undrawn, except US$21 million in outstanding letters of credit	General corporate purposes	November 21, 2021
Operating facilities (secured)			
$40 million	Undrawn, except $21 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$13 million in outstanding letters of credit	Letters of credit	
Senior notes (unsecured)			
US$249 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
US$400 million – 7.125%	Fully drawn	Debt redemption and repurchases	January 15, 2026

(1) Increases to US$300 million at the end of the covenant relief period of March 31, 2019.

As at March 31, 2018 we had $1,804 million outstanding under our senior unsecured notes. The current blended cash interest cost of our debt is approximately 6.6%

Covenants

<u>Senior Facility</u>

The senior credit facility requires that we comply with certain covenants including a leverage ratio of consolidated senior debt to Covenant EBITDA (see "NON-GAAP MEASURES") of less than 2.5:1. For purposes of calculating the leverage ratio consolidated senior debt only includes secured indebtedness. As at March 31, 2018 our consolidated senior debt to Covenant EBITDA ratio was 0.08:1.

Under the senior credit facility, we are required to maintain a ratio of consolidated Covenant EBITDA to consolidated interest expense for the most recent four consecutive quarters, of greater than 1.5:1 for the period ending March 31, 2018 and 2.0:1 for the periods ending June 30, September 30, and December 31, 2018 and March 31, 2019. For periods ending after March 31, 2019 the ratio reverts to 2.5:1. As at March 31, 2018 our senior credit facility consolidated Covenant EBITDA to consolidated interest expense ratio was 2.34:1.

The senior credit facility prevents us from making distributions prior to April 1, 2019, after which, distributions are subject to a pro forma consolidated senior net leverage covenant of less than or equal to 1.75:1. The senior credit facility also limits the redemption and repurchase of junior debt subject to a pro forma consolidated senior net leverage covenant ratio of less than or equal to 1.75:1.

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.

<u>Senior Notes</u>

The senior notes require that we comply with financial covenants including an incurrence based consolidated interest coverage ratio test of consolidated cash flow, as defined in the senior note agreements, to consolidated interest expense 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, 2018, our senior notes consolidated interest coverage ratio was 2.29:1.

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 October 1, 2010 for the 2021 and 2024 senior notes, from October 1, 2016 for the 2023 senior notes and October 1, 2017 for the 2026 senior notes by, among other things, 50% of cumulative net earnings and decreases by 100% of cumulative 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)		2017		**2018**
Quarters ended	June 30	September 30	December 31	**March 31**
Revenue	290,860	314,504	347,187	**401,006**
Adjusted EBITDA(1)	56,520	73,239	90,914	**97,469**
Net loss	(36,130)	(26,287)	(47,005)	**(18,077)**
Net loss per basic and diluted share	(0.12)	(0.09)	(0.16)	**(0.06)**
Funds provided by (used in) operations(1)	(15,187)	85,140	28,323	**104,026**
Cash provided by operations	2,739	56,757	23,289	**38,189**

(Stated in thousands of Canadian dollars, except per share amounts)		2016		2017
Quarters ended	June 30	September 30	December 31	March 31
Revenue	170,407	213,668	302,653	368,673
Adjusted EBITDA(1)	22,400	41,411	65,000	84,308
Net loss	(57,677)	(47,377)	(30,618)	(22,614)
Net loss per basic and 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

(1) Prior year comparatives have changed to reflect a recast of certain amounts previously netted against operating expense. See our 2017 Annual Report.
(2) See "NON-GAAP MEASURES".

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Because of the nature of our business, we are required to make judgments and estimates in preparing our Consolidated Interim Financial Statements that could materially affect the amounts recognized. Our judgments and estimates are based on our past experiences and assumptions we believe are reasonable in the circumstances. The critical judgments and estimates used in preparing the Interim Financial Statements are described in our 2017 Annual Report and there have been no material changes to our critical accounting judgments and estimates during the three months ended March 31, 2018 except for those impacted by the adoption of new accounting standards.

CHANGES IN ACCOUNTING POLICY

New standards adopted

The following standards became effective on January 1, 2018:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*

The Corporation adopted these standards using the cumulative-effect method with no material impact or adjustment to the consolidated financial statements on the date of adoption. Please see the unaudited March 31, 2018 Interim Consolidated Financial Statements and related notes for further details on the adoption of these standards.

New standards not yet adopted

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It replaces existing lease guidance including IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a lease. The new standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16.

IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. A right-of use asset and a corresponding liability will be recognized for all leases by the lessee except for short-term leases and leases of low value assets.

The Corporations initial assessment indicates that many of the operating lease arrangements will meet the definition of a lease under IFRS 16 and thus be recognized in the Statement of Financial Position as a right-of-use asset with a corresponding liability. In addition, the nature of expenses related to these arrangements will change as the current presentation of lease expense will be replaced with a depreciation charge for the right-of use asset and interest expense on the lease liabilities. As well, the classification of cash flows will be impacted as the current presentation of lease payments as operating cash flows will be split into financing (principal portion) and operating (interest portion) cash flows under IFRS 16.

Lessor accounting will not significantly change under the new standard. However, some differences may arise as a result of new guidance on the definition of a lease. Under IFRS 16 a contract is, or contains a lease if the contract conveys control of the use of an identified asset for a period of time in exchange for some form of consideration. Precision is assessing whether this new guidance will impact the treatment of its drilling rigs under long term contracts.

Additional disclosures will also be required under IFRS 16.

Precision plans to apply IFRS 16 initially on January 1, 2019 using the cumulative effect method whereby the cumulative impact of adopting the standard will be recognized in retained earnings as of January 1, 2019 and the comparative periods will not be restated.

<u>IFRIC 23 *Uncertainty over Income Tax Treatments*</u>

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation requires the entity to use the most likely amount or the expected value of the tax treatment if it concludes that it is not probable that a particular tax treatment will be accepted. It requires an entity to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight. The Corporation has yet to determine the impact this standard will have on its consolidated financial statements.

NON-GAAP MEASURES

In this press release we reference non-GAAP (Generally Accepted Accounting Principles) measures. Adjusted EBITDA, Operating Earnings (Loss), Funds Provided by (Used In) Operations and Working Capital 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, finance 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 depreciation and amortization charges.

Covenant EBITDA

Covenant EBITDA, as defined in our senior credit facility agreement, is used in determining the Corporation's compliance with its covenants. Covenant EBITDA differs from Adjusted EBITDA by the exclusion of bad debt expense, restructuring costs and certain foreign exchange amounts.

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 (Used In) Operations

We believe that funds provided by (used in) 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.

Working Capital

We define working capital as current assets less current liabilities as reported on the Interim Consolidated Statement of Financial Position.

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 2018;
- our capital expenditure plans for 2018;
- anticipated activity levels in 2018 and our scheduled infrastructure projects;
- anticipated demand for Tier 1 rigs; and
- the average number of term contracts in place for 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, 2017, 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 result of new information, future events or otherwise, except as required by law.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(Stated in thousands of Canadian dollars)		**March 31, 2018**		December 31, 2017
ASSETS				
Current assets:				
Cash	**$**	**81,873**	$	65,081
Accounts receivable		**355,396**		322,585
Income tax recoverable		**28,854**		29,449
Inventory		**26,787**		24,631
Total current assets		**492,910**		441,746
Non-current assets:				
Income tax recoverable		**2,314**		2,256
Deferred tax assets		**41,962**		41,822
Property, plant and equipment		**3,151,344**		3,173,824
Intangibles		**35,156**		28,116
Goodwill		**206,017**		205,167
Total non-current assets		**3,436,793**		3,451,185
Total assets	**$**	**3,929,703**	$	3,892,931
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**222,737**	$	209,625
Non-current liabilities:				
Share based compensation (Note 8)		**6,212**		13,536
Provisions and other		**9,835**		10,086
Long-term debt (Note 6)		**1,776,763**		1,730,437
Deferred tax liability		**111,748**		118,911
Total non-current liabilities		**1,904,558**		1,872,970
Shareholders' equity:				
Shareholders' capital (Note 9)		**2,319,293**		2,319,293
Contributed surplus		**45,907**		44,037
Deficit		**(702,681)**		(684,604)
Accumulated other comprehensive income (Note 11)		**139,889**		131,610
Total shareholders' equity		**1,802,408**		1,810,336
Total liabilities and shareholders' equity	**$**	**3,929,703**	$	3,892,931

See accompanying notes to interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF LOSS (UNAUDITED)

(Stated in thousands of Canadian dollars, except per share amounts)	Three months ended March 31, 2018	2017 *(recast—Note 3)*
Revenue (Note 4)	**$ 401,006**	$ 368,673
Expenses:		
Operating	**274,574**	259,079
General and administrative	**28,963**	25,286
Earnings before income taxes, finance charges, foreign exchange and depreciation and amortization	**97,469**	84,308
Depreciation and amortization	**87,308**	97,163
Operating earnings (loss)	**10,161**	(12,855)
Foreign exchange	**1,215**	47
Finance charges (Note 7)	**31,679**	32,982
Loss before income taxes	**(22,733)**	(45,884)
Income taxes:		
Current	**1,566**	890
Deferred	**(6,222)**	(24,160)
	(4,656)	(23,270)
Net loss	**$ (18,077)**	$ (22,614)
Net loss per share: (Note 10)		
Basic	**$ (0.06)**	$ (0.08)
Diluted	**$ (0.06)**	$ (0.08)

See accompanying notes to interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

(Stated in thousands of Canadian dollars)	Three months ended March 31, 2018	2017
Net loss	**$ (18,077)**	$ (22,614)
Unrealized gain (loss) on translation of assets and liabilities of operations denominated in foreign currency	**53,734**	(18,554)
Foreign exchange gain (loss) on net investment hedge with U.S. denominated debt, net of tax	**(45,455)**	15,124
Comprehensive loss	**$ (9,798)**	$ (26,044)

See accompanying notes to interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

	Three months ended March 31,	
(Stated in thousands of Canadian dollars)	**2018**	2017
Cash provided by (used in):		
Operations:		
Net loss	**$ (18,077)**	$ (22,614)
Adjustments for:		
Long-term compensation plans	**7,899**	2,933
Depreciation and amortization	**87,308**	97,163
Foreign exchange	**1,448**	48
Finance charges	**31,679**	32,982
Income taxes	**(4,656)**	(23,270)
Other	**(916)**	(170)
Income taxes paid	**(324)**	(1,050)
Income taxes recovered	**36**	332
Interest paid	**(500)**	(1,908)
Interest received	**129**	1,213
Funds provided by operations	**104,026**	85,659
Changes in non-cash working capital balances	**(65,837)**	(51,889)
	38,189	33,770
Investments:		
Purchase of property, plant and equipment	**(22,291)**	(20,423)
Purchase of intangibles	**(7,791)**	(1,669)
Proceeds on sale of property, plant and equipment	**6,050**	2,218
Changes in non-cash working capital balances	**172**	(8,391)
	(23,860)	(28,265)
Financing:		
Debt issue costs	**—**	(341)
	—	(341)
Effect of exchange rate changes on cash and cash equivalents	**2,463**	(289)
Increase in cash and cash equivalents	**16,792**	4,875
Cash and cash equivalents, beginning of period	**65,081**	115,705
Cash and cash equivalents, end of period	**$ 81,873**	$ 120,580

See accompanying notes to interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

(Stated in thousands of Canadian dollars)	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income (Note 11)	Deficit	Total equity
Balance at January 1, 2018	$ 2,319,293	$ 44,037	$ 131,610	$ (684,604)	$ 1,810,336
Net loss for the period	—	—	—	(18,077)	(18,077)
Other comprehensive income for the period	—	—	8,279	—	8,279
Share based compensation expense (Note 8)	—	1,870	—	—	1,870
Balance at March 31, 2018	**$ 2,319,293**	**$ 45,907**	**$ 139,889**	**$ (702,681)**	**$ 1,802,408**

(Stated in thousands of Canadian dollars)	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income	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 8)	—	1,133	—	—	1,133
Balance at March 31, 2017	$ 2,319,293	$ 40,070	$ 153,026	$ (575,182)	$ 1,937,207

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, 2017.

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, 2017 except for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers adopted on January 1, 2018.

These condensed consolidated interim financial statements were approved by the Board of Directors on April 25, 2018.

(b) Use of Estimates and Judgements

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

Significant estimates and judgements used in the preparation of these condensed consolidated interim financial statements remained unchanged from those disclosed in the Corporation's consolidated audited annual financial statements for the year ended December 31, 2017 except for those impacted by the adoption of new accounting standards.

(c) Accounting Policy Updates

The following standards became effective on January 1, 2018 using the cumulative-effect method of adoption. The adoption of these standards had no material impact on the amounts recorded in these financial statements.

(i) IFRS 9 Financial Instruments

Non-Derivative Financial Instruments:

Financial assets and liabilities are classified and measured at amortized cost, fair value through other comprehensive income or fair value through profit and loss. The classification of financial assets and liabilities is generally based on the business model in which the asset or liability is managed and its contractual cash flow characteristics. Financial assets held within a business model whose objective is to collect contractual cash flows and whose contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding are measured at amortized cost. After their initial fair value measurement, accounts receivable, accounts payable and accrued liabilities and long-term debt are classified and measured at amortized cost using the effective interest rate method.

Upon initial recognition of a non-derivative financial asset a loss allowance is recorded for expected credit losses (ECL). Loss allowances for trade receivables are measured based on lifetime ECL, based on historical loss information adjusted for current economic and credit conditions.

Derivative Financial Instruments:

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

Derivatives embedded in financial assets are never separated. Rather, the financial instrument as a whole is assessed for classification. Derivatives embedded in financial liabilities are separated from the host contract and accounted for separately when their economic characteristics and risks are not closely related to the host contract. Embedded derivatives in financial liabilities are recorded on the statement of financial position at estimated fair value and changes in the fair value are recognized in earnings.

Hedge Accounting

The Corporation utilizes foreign currency long-term debt to hedge its exposure to changes in the carrying values of the Corporation's net investment in certain foreign operations from fluctuations in foreign exchange rates. To be accounted for as a hedge, the foreign currency long-term debt must be designated and documented as a hedge and must be effective at inception and on an ongoing basis. The documentation defines the relationship between the foreign currency long-term debt and the net investment in the foreign operations, as well as the Corporation's risk management objective and strategy for undertaking the hedging transaction. The Corporation formally assesses, both at inception and on an ongoing basis, whether the changes in fair value of the foreign currency long-term debt is highly effective in offsetting changes in fair value of the net investment in the foreign operations. The portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in other comprehensive income, net of tax, and is limited to the translation gain or loss on the net investment, while the ineffective portion is recorded through profit and loss.

A reduction in the fair value of the net investment in the foreign operations or increase in the foreign currency long-term debt balance may result in a portion of the hedge becoming ineffective. If the hedging relationship ceases to be effective or is terminated, hedge accounting is not applied to subsequent gains or losses. The amounts recognized in other comprehensive income are reclassified to profit and loss and the corresponding exchange gains or losses arising from the translation of the foreign operation are recorded through profit and loss upon dissolution or substantial dissolution of the foreign operation.

Transition

The following table shows the original measurement categories and carrying amounts for each financial asset and liability under IAS 39 and the subsequent measurement and carrying amount upon adoption of IFRS 9 as at January 1, 2018.

	Measurement Category		Carrying Amount	
(Stated in thousands of Canadian dollars)	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Financial Assets				
Cash and cash equivalents	Loans and receivables	Amortized Cost	$ 65,081	$ 65,081
Accounts receivable	Loans and receivables	Amortized Cost	322,585	322,585
			$ 387,666	**$ 387,666**
Financial Liabilities				
Accounts payable and accrued liabilities	Other financial liabilities	Amortized Cost	$ 209,625	$ 209,625
Long-term debt	Other financial liabilities	Amortized Cost	1,730,437	1,730,437
			$ 1,940,062	**$ 1,940,062**

(ii) IFRS 15 Revenue from Contracts with Customers

Precision recognizes revenue from a variety of sources. In general, customer invoices are issued upon rendering all performance obligations for an individual well-site job. Under the Corporation's standard contract terms, customer payments are to be received within 30 days upon the customer's receipt of an invoice.

Contract Drilling Services

The Corporation contracts individual drilling rig packages, including crews and support equipment, to its customers. Depending on the customer's drilling program, contracts may be for a single well, multiple wells or a fixed term. Revenue from contract drilling services is recognized over time from spud to rig release on a daily basis. Operating days are measured through industry standard tour sheets that document the daily activity of the rig. Revenue is recognized at the applicable day rate for each well, based on rates specified in each contract.

The Corporation provides services under turnkey contracts, whereby Precision is required to drill a well to an agreed upon depth under specified conditions for a fixed price, regardless of the time required or problems encountered in drilling the well. Revenue from turnkey drilling contracts is recognized over time using the input method based on costs incurred to date in relation to estimated total contract costs, as that most accurately depicts the Corporation's performance.

The Corporation also provides directional drilling services, which include the provision of directional drilling equipment, tools and personnel to the wellsite, and performance of daily directional drilling services. Directional drilling revenue is recognized over time, upon the daily completion of operating activities. Operating days are measured through daily tour sheets. Revenue is recognized at the applicable day rate, as stipulated in the directional drilling contract.

Completion and Production Services

The Corporation provides a variety of well completion and production services including well servicing and snubbing. In general, service rigs do not involve long-term contracts or penalties for termination. Revenue is recognized daily upon completion of services. Operating days are measured through daily tour sheets and field tickets. Revenue is recognized at the applicable daily or hourly rate, as stipulated in the contract.

The Corporation offers a variety of oilfield equipment for rental to its customers. Rental revenue is recognized daily at the applicable rate stated in the rental contract. Rental days are measured through field tickets.

The Corporation provides accommodation and catering services to customers in remote locations. Customers contract these services either as a package or individually for a fixed term. For accommodation services, the Corporation supplies camp equipment and revenue is recognized over time on a daily basis, once the equipment is on-site and available for use, at the applicable rate stated in the contract. For catering services, the Corporation recognizes revenue daily according to meals served. Accommodation and catering services provided are measured through field tickets.

Transition

Revenue has been disaggregated into categories based on type of services provided consistent with its reportable operating segments outlined in Note 4.

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

(i) IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It replaces existing lease guidance including IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. The new standard is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. A right-of-use asset and a corresponding liability will be recognized for all leases by the lessee except for short-term leases and leases of low value assets.

The Corporation's initial assessment indicates that many of the operating lease arrangements will meet the definition of a lease under IFRS 16 and thus be recognized in the statement of financial position as a right-of-use asset with a corresponding liability. In addition, the nature of expenses related to these arrangements will change as the current presentation of operating lease expense will be replaced with a depreciation charge for the right-of use asset and interest expense on the lease liabilities. As well, the classification of cash flows will be impacted as the current presentation of operating lease payments as operating cash flows will be split into financing (principal portion) and operating (interest portion) cash flows under IFRS 16.

Lessor accounting will not significantly change under the new standard. However, some differences may arise upon adoption of IFRS 16 as a result of new guidance on the definition of a lease. Under IFRS 16 a contract is, or contains a lease if the contract conveys control of the use of an identified asset for a period of time in exchange for some form of consideration. Precision is assessing whether this new guidance will impact the treatment of its drilling rigs under long-term contracts.

Additional disclosures will also be required under IFRS 16.

Precision plans to apply IFRS 16 initially on January 1, 2019 using the cumulative effect method whereby the cumulative impact of adopting the standard will be recognized in retained earnings as at January 1, 2019 and comparative periods will not be restated.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation requires the entity to use the most likely amount or the expected value of the tax treatment if it concludes that it is not probable that a particular tax treatment will be accepted. It requires an entity to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight. The Corporation has yet to determine the impact this standard will have on its consolidated financial statements.

NOTE 3. RECAST OF PRIOR PERIOD AMOUNTS

During the third quarter of 2017, the Corporation changed its treatment of how certain amounts that were historically netted against operating expense should be classified. In particular, certain amounts that were historically netted against operating expenses are now treated as revenue, with a corresponding increase to operating expenses. The primary nature of these amounts related to additional labour charges to customers above our standard drilling crew configuration and subsistence allowances paid to the drilling crew which varies depending on whether the crews were staying in a camp or hotel and equipment rental. As a result previously reported revenues and operating expenses were understated by equivalent amounts.

As a result of these reclassifications, we have recast the prior year comparative amounts as follows:

Three months ended March 31, 2017	As Previously reported	Revenue reclassification	As recast
Revenue	$ 345,800	22,873	$ 368,673
Expenses:			
Operating	236,206	22,873	259,079
General and administrative	25,286	—	25,286
Earnings before income taxes, finance charges, foreign exchange and depreciation and amortization	$ 84,308	$ —	$ 84,308

There is no impact on net loss and comprehensive loss and the consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows remain unchanged as a result of this recast.

NOTE 4. REVENUE

(a) Disaggregation of revenue

The following table includes a reconciliation of disaggregated revenue by reportable segment (Note 5). Revenue has been disaggregated by primary geographical market and type of service provided.

Three months ended March 31, 2018	**Contract Drilling Services**	**Completion and Production Services**	**Corporate and Other**	**Inter-Segment Eliminations**	**Total**
Canada	**$ 151,338**	**$ 46,980**	**$ —**	**$ (1,734)**	**$ 196,584**
United States	**155,903**	**3,062**	**—**	**(104)**	**158,861**
International	**45,561**	**—**	**—**	**—**	**45,561**
	$ 352,802	**$ 50,042**	**$ —**	**$ (1,838)**	**$ 401,006**
Day rate/hourly services	**$ 320,696**	**$ 50,042**	**$ —**	**$ (354)**	**$ 370,384**
Take or pay/idle but contracted	**10,339**	**—**	**—**	**—**	**10,339**
Turnkey drilling services	**9,249**	**—**	**—**	**—**	**9,249**
Directional services	**8,672**	**—**	**—**	**—**	**8,672**
Other	**3,846**	**—**	**—**	**(1,484)**	**2,362**
	$ 352,802	**$ 50,042**	**$ —**	**$ (1,838)**	**$ 401,006**

Three months ended March 31, 2017 (1)	Contract Drilling Services	Completion and Production Services	Corporate and Other	Inter-Segment Eliminations	Total
Canada	$ 153,522	$ 42,205	$ —	$ (1,426)	$ 194,301
United States	122,330	4,144	—	(180)	126,294
International	48,078	—	—	—	48,078
	323,930	46,349	$ —	$ (1,606)	$ 368,673
Day rate/hourly services	$ 292,924	$ 46,349	$ —	$ (623)	$ 338,650
Take or pay/idle but contracted	13,469	—	—	—	13,469
Turnkey drilling services	1,734	—	—	—	1,734
Directional services	12,898	—	—	—	12,898
Other	2,905	—	—	(983)	1,922
	$ 323,930	$ 46,349	$ —	$ (1,606)	$ 368,673

(1) IFRS 15 initially applied at January 1, 2018, under the transition method chosen, comparative information is not restated.

(b) Seasonality

Precision has operations that are carried on in Canada which represent approximately 49% (2017 - 53%) of consolidated revenue for the three months ended March 31, 2018 and 42% (2017 - 41%) of consolidated total assets as at March 31, 2018. 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.

NOTE 5. SEGMENTED INFORMATION

The Corporation has two reportable operating 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. The Corporation provides services primarily in Canada, the United States and certain international locations.

Three months ended March 31, 2018	**Contract Drilling Services**	**Completion and Production Services**	**Corporate and Other**	**Inter-Segment Eliminations**	**Total**
Revenue	**$ 352,802**	**$ 50,042**	**$ —**	**$ (1,838)**	**$ 401,006**
Operating earnings (loss)	**33,266**	**(2,231)**	**(20,874)**	**—**	**10,161**
Depreciation and amortization	**77,700**	**6,875**	**2,733**	**—**	**87,308**
Total assets	**3,519,077**	**207,967**	**202,659**	**—**	**3,929,703**
Goodwill	**206,017**	**—**	**—**	**—**	**206,017**
Capital expenditures	**21,082**	**1,096**	**7,904**	**—**	**30,082**

Three months ended March 31, 2017	Contract Drilling Services	Completion and Production Services	Corporate and Other	Inter-Segment Eliminations	Total
Revenue	$ 323,930	$ 46,349	$ —	$ (1,606)	$ 368,673
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

NOTE 6. LONG-TERM DEBT

	March 31, 2018	December 31, 2017
Senior Credit Facility	**$ —**	$ —
Unsecured senior notes:		
6.5% senior notes due 2021 (US$248.6 million)	**320,681**	312,601
7.75% senior notes due 2023 (US$350.0 million)	**451,437**	440,062
5.25% senior notes due 2024 (US$400.0 million)	**515,928**	502,928
7.125% senior notes due 2026 (US$400.0 million)	**515,928**	502,928
	1,803,974	1,758,519
Less net unamortized debt issue costs	**(27,211)**	(28,082)
	$ 1,776,763	$ 1,730,437

At March 31, 2018, we were in compliance with the covenants of our senior credit facility and senior notes.

Long-term debt obligations at March 31, 2018 will mature as follows:

2021	$ 320,681
Thereafter	1,483,293
	$ 1,803,974

NOTE 7. FINANCE CHARGES

	Three months ended March 31,	
	2018	2017
Interest:		
Long-term debt	**$ 30,424**	$ 32,717
Other	**17**	142
Income	**(119)**	(1,202)
Amortization of debt issue costs and loan commitment fees	**1,357**	1,325
Finance charges	**$ 31,679**	$ 32,982

NOTE 8. 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, 2017	$ 6,950	$ 11,407	$ —	$ 3,512	$ 21,869
Expensed during the period	3,066	4,347	—	377	7,790
Payments	(6,484)	(6,804)	—	—	(13,288)
Balance, March 31, 2018	**$ 3,532**	**$ 8,950**	**$ —**	**$ 3,889**	**$ 16,371**
Current	$ 2,484	$ 7,675	$ —	$ —	$ 10,159
Long-term	1,048	1,275	—	3,889	6,212
	$ 3,532	**$ 8,950**	**$ —**	**$ 3,889**	**$ 16,371**

(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, 2017	2,796,858	5,726,259
Granted	2,558,862	1,171,500
Redeemed	(1,338,644)	(2,043,719)
Forfeitures	(5,783)	(13,782)
March 31, 2018	**4,011,293**	**4,840,258**

(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, 2017	136,169	$15.22–15.22	$ 15.22	136,169
Forfeitures	(136,169)	15.22–15.22	15.22	
March 31, 2018	—	**$** —	**$** —	—

(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, 2017	**953,277**
Granted	124,557
March 31, 2018	**1,077,834**

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, 2017 and March 31, 2018	**195,743**

(e) Option Plan

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

Canadian share options	Outstanding	Range of Exercise Price			Weighted Average Exercise Price		Exercisable
December 31, 2017	4,900,360	$ 4.46	—	14.50	$	8.50	3,734,019
Granted	490,200	4.35	—	4.35		4.35	
Forfeitures	(617,750)	10.44	—	10.67		10.44	
March 31, 2018	**4,772,810**	**$ 4.35**	**—**	**14.50**	**$**	**7.82**	**3,826,127**

U.S. share options	Outstanding	Range of Exercise Price (US$)			Weighted Average Exercise Price (US$)		Exercisable
December 31, 2017	5,558,621	$ 3.21	—	15.21	$	6.16	2,891,808
Granted	1,515,900	3.44	—	3.44		3.34	
Forfeitures	(270,000)	10.55	—	10.55		10.55	
March 31, 2018	**6,804,521**	**$ 3.21**	**—**	**15.21**	**$**	**5.38**	**3,862,365**

The per option weighted average fair value of the share options granted during 2018 was $1.95 estimated on the grant date using the Black-Scholes option pricing model with the following assumptions: average risk-free interest rate 2.4%, average expected life of four years, expected forfeiture rate of 5% and expected volatility of 56%. Included in net earnings for the three months ended March 31, 2018 is an expense of $0.8 million (2017 - $1.1 million).

(f) Executive Performance Share Units

Precision granted PSUs to certain senior executives with the intention of settling them in voting shares of the Corporation either issued from treasury or purchased in the open market. These PSUs vest over a three year period and incorporate performance criteria established at the date of grant that can adjust the number of performance share units available for settlement from zero to two times the amount originally granted. A summary of the activity under this share based incentive plan is presented below:

	Outstanding		Weighted Fair Value
December 31, 2017	1,159,000	$	6.00
Granted	2,030,000	$	6.19
March 31, 2018	**3,189,000**	**$**	**6.12**

The per unit weighted average fair value of the performance share units granted during 2018 was $6.19 estimated on the grant date using a Monte Carlo simulation with the following assumptions: share price of $4.28, average risk-free interest rate of 2.4%, average expected life of three years, expected volatility of 60%, and an expected dividend yield of nil. Included in net earnings for the three months ended March 31, 2018 is an expense of $1.1 million (2017 - $nil).

NOTE 9. SHAREHOLDERS' CAPITAL

	Number		Amount
Common shares			
Balance, December 31, 2017 and March 31, 2018	**293,238,858**	**$**	**2,319,293**

NOTE 10. 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,			
		2018		2017
Net loss - basic and diluted	**$**	**(18,077)**	$	(22,614)

	Three months ended March 31,	
(Stated in thousands)	**2018**	2017
Weighted average shares outstanding – basic	**293,239**	293,239
Effect of stock options and other equity compensation plans	**—**	—
Weighted average shares outstanding – diluted	**293,239**	293,239

NOTE 11. ACCUMULATED OTHER COMPREHENSIVE INCOME

		Unrealized Foreign Currency Translation Gains		Foreign Exchange Loss on Net Investment Hedge		Accumulated Other Comprehensive Income
Balance, December 31, 2017	$	440,733	$	(309,123)	$	131,610
Other comprehensive income		53,734		(45,455)		8,279
Balance, March 31, 2018	**$**	**494,467**	**$**	**(354,578)**	**$**	**139,889**

NOTE 12. 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, 2018 was approximately $1,817 million (December 31, 2017 - $1,765 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 2018 TRADING PROFILE

Toronto (TSX: PD)
High: $4.84
Low: $3.43
Close: $3.58
Volume Traded: 182,029,701

New York (NYSE: PDS)
High: US$3.93
Low: US$2.65
Close: US$2.77
Volume Traded: 181,430,800

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

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Veronica H. Foley
Senior Vice President, General Counsel and Corporate Secretary

Carey T. Ford
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