PRECISION DRILLING TRUST
Form 40-F
March 28, 2008

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 40-F

(Check One)

o **Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934**
or

þ **Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2007

Commission file number 001-14534
PRECISION DRILLING TRUST
(Exact name of registrant as specified in its charter)

Alberta, Canada	**1381**	**Not applicable**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number (if applicable))	(I.R.S. Employer Identification Number (if Applicable))

4200-150 6th Avenue, S.W., Calgary, Alberta, Canada T2P 3Y7
(403) 716-4500
(Address and Telephone Number of Registrant s Principal Executive Offices)
CT Corporation System, North St. Paul Street, Dallas, Texas 77022
(214) 979-1172
(Name, Address (Including Zip Code) and Telephone Number
(Including Area Code) of Agent For Service in the United States)
Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	**Name of each exchange on which registered**
Trust Units	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act. None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None.
For annual reports, indicate by check mark the information filed with this Form:
þ Annual Information Form þ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report: 125,587,919 Trust Units outstanding as at December 31, 2007.

Indicate by check mark whether the Registrant by filing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the Exchange Act). If Yes is marked, indicate the file number assigned to the Registrant in connection with such rule.

Yes o No þ

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

The Annual Report on Form 40-F shall be incorporated by reference into, or as an exhibit to, as applicable, the Registrant s Registration Statements under the Securities Act of 1933: Form F-10 (File No. 333-115330), Form S-8 (File No. 333-124811, 333-116492 and 333-105648).

Principal Documents

The following documents have been filed as part of this Annual Report on Form 40-F and are included immediately after this section:

(a) Annual Information Form for the fiscal year ended December 31, 2007;

(b) Management s Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2007; and

(c) Consolidated Financial Statements for the fiscal year ended December 31, 2007 (Note 16 to the Consolidated Financial Statements relates to United States Generally Accepted Accounting Principles (U.S. GAAP)).

PRECISION DRILLING TRUST
ANNUAL INFORMATION FORM

For the fiscal year ended December 31, 2007
Dated March 25, 2008

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APPENDIX 1 PRECISION DRILLING CORPORATION AUDIT COMMITTEE CHARTER AND TERMS OF REFERENCE

cautionary statement regarding forward-looking information and statements

This Annual Information Form contains certain forward-looking information and statements, including statements relating to matters that are not historical facts and statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, which 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 the forward-looking information and statements). Forward-looking information and statements are typically identified by words such as anticipate , could , should , expect , seek , may , intend , likely , will believe and similar expressions suggesting future outcomes or statements regarding an outlook.

Forward-looking information and statements are included throughout this Annual Information Form including under the headings General Development of the Business , Description of the Business of Precision and Risk Factors and include, but are not limited to statements with respect to:

2008 expected cash provided by continuing operations;

2008 capital expenditures, including the amount and nature thereof;

2008 distributions on Trust Units and payments on Exchangeable Units;

performance of the oil and natural gas industry, including oil and natural gas commodity prices and supply and demand;

expansion, consolidation and other development trends of the oil and natural gas industry;

demand for and status of drilling rigs and other equipment in the oil and natural gas industry;

costs and financial trends for companies operating in the oil and natural gas industry;

world population and energy consumption trends;

our business strategy, including the 2008 strategy and outlook for our business segments;

expansion and growth of our business and operations, including diversification of our earnings base, safety and operating performance, the size and capabilities of our drilling and service rig fleet, our market share and our position in the markets in which we operate;

demand for our products and services;

our management strategy, including transitions in executive roles;

labour shortages;

climatic conditions;

the maintenance of existing customer, supplier and partner relationships;

supply channels;

accounting policies and tax liabilities;

expected payments pursuant to contractual obligations;

the prospective impact of recent or anticipated regulatory changes;

financing strategy and compliance with debt covenants;

credit risks; and

other such matters.

All such forward-looking information and statements are based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. These statements are, however, subject to known and unknown risks and uncertainties and other factors. As a result, actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking information and statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information and statements will transpire or occur, or if any of them do so, what benefits will be derived therefrom. These risks, uncertainties and other factors include, among others:

- the impact of general economic conditions in Canada and the United States;
- world energy prices and government policies;
- industry conditions, including the adoption of new environmental, taxation and other laws and regulations and changes in how they are interpreted and enforced;
- the impact of initiatives by the Organization of Petroleum Exporting Countries and other major petroleum exporting countries;
- the ability of oil and natural gas companies to access external sources of debt and equity capital;
- the effect of weather conditions on operations and facilities;
- the existence of operating risks inherent in well servicing, contract drilling and ancillary oilfield services;
- volatility of oil and natural gas prices;
- oil and natural gas product supply and demand;
- risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations;
- increased competition;
- consolidation among our customers;
- risks associated with technology;
- political uncertainty, including risks of war, hostilities, civil insurrection, instability or acts of terrorism;
- the lack of availability of qualified personnel or management;
- credit risks;
- increased costs of operations, including costs of equipment;
- fluctuations in interest rates;
- stock market volatility;
- safety performance;
- foreign operations;
- foreign currency exposure;
- dependence on third party suppliers;

opportunities available to or pursued by us;

and other factors, many of which are beyond our control.

These risk factors are discussed in this Annual Information Form, our Annual Report and Form 40-F on file with the Canadian securities commissions and the United States Securities and Exchange Commission and available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and the website of the U.S. Securities and Exchange Commission at www.sec.gov, respectively. Except as required by law, Precision Drilling Trust, Precision Drilling Limited Partnership and Precision Drilling Corporation disclaim any intention or obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise.

The forward-looking information and statements contained in this Annual Information Form are expressly qualified by this cautionary statement.

CORPORATE STRUCTURE

INCORPORATION INFORMATION AND ADDRESS

The Trust

Precision Drilling Trust (the Trust) is an unincorporated open-ended investment trust established under the laws of the Province of Alberta pursuant to a declaration of trust dated September 22, 2005 (the Declaration of Trust). The Trust maintains its head office and principal place of business at 4200, 150 6th Avenue S.W., Calgary, Alberta, T2P 3Y7, telephone (403) 716-4500, facsimile (403) 264-0251, email info@precisiondrilling.com and website www.precisiondrilling.com.

The Trust issued units (Trust Units) to certain former shareholders of Precision Drilling Corporation (Precision) pursuant to a plan of arrangement which was approved by the former shareholders of Precision at a special meeting held on October 31, 2005 (the Plan of Arrangement).

The notice of meeting and information circular (the 2005 Special Meeting Information Circular) with respect to the Plan of Arrangement was filed on October 3, 2005 under the SEDAR profile for Precision, and on March 31, 2006 under the SEDAR profile for the Trust, available at www.sedar.com. Specified pages of the 2005 Special Meeting Information Circular are incorporated herein by reference.

Precision Drilling Limited Partnership

Precision Drilling Limited Partnership (PDLP) is a limited partnership formed pursuant to the laws of the Province of Manitoba. The Trust holds a 99.86% interest in PDLP through its holding of Class A Limited Partnership Units (the PDLP A Units) and the remaining 0.14% of PDLP is held by former shareholders of Precision who elected to receive Class B Limited Partnership Units (Exchangeable Units) which are exchangeable into Trust Units on a one-for-one basis and are the economic equivalent of Trust Units. The head and principal offices of PDLP are located at 4200, 150 6th Avenue S.W., Calgary, Alberta, T2P 3Y7, telephone (403) 716-4500, facsimile (403) 264-0251 and email info@precisiondrilling.com.

Precision Drilling Corporation

Precision was originally incorporated on March 25, 1985 and carried out amalgamations with wholly-owned subsidiary companies on January 1, 2000, January 1, 2002, and January 1, 2004 pursuant to Articles of Amalgamation and other provisions of the *Business Corporations Act* (Alberta). On November 7, 2005 Precision became a wholly-owned subsidiary of PDLP. As part of the Plan of Arrangement, Precision amalgamated with a number of its wholly-owned subsidiaries. Precision also amalgamated with: 1195309 Alberta ULC on November 23, 2005; Live Well Service Ltd. on January 1, 2006; and Terra Water Group Ltd. (Terra) on January 1, 2007. In each amalgamation the name of the amalgamated company remained Precision Drilling Corporation . The head and principal offices of Precision are located at 4200, 150 6th Avenue S.W., Calgary, Alberta, T2P 3Y7, telephone (403) 716-4500, facsimile (403) 264-0251 and email info@precisiondrilling.com.

INTERCORPORATE RELATIONSHIPS

The following table sets forth the names of the material subsidiaries (which includes major limited liability partnerships) of the Trust, the percent of shares (or interest) owned by the Trust and the jurisdiction of incorporation or continuance of each such subsidiary (or partnership) as of December 31, 2007:

Name of Subsidiary or Partnership	Percent or Interest Owned	Jurisdiction of Incorporation or Continuance
Precision Drilling Limited Partnership	99.86%	Manitoba
1194312 Alberta Ltd.	100%	Alberta
Precision Drilling Corporation	99.86%	Alberta

Organizational Structure of the Trust

The following diagram sets forth the organizational structure of the Trust and its material subsidiaries as of the date hereof:

NOTES:

(1) As of December 31, 2007 there were 125,587,919 PDLP A Units outstanding.

(2) As of December 31, 2007 there were 170,005 Exchangeable Units outstanding.

(3) The interest of 1194312 Alberta Ltd. in PDLP is 0.001%.

(4) Inter-company note owing by Precision to PDLP (the Promissory Note).

GENERAL DEVELOPMENT OF THE BUSINESS

THREE YEAR HISTORY

In Canada, Precision is the largest provider of land based contract drilling services to oil and natural gas exploration and production companies, based on the size of its drilling rig fleet. Precision s continuing business services in Canada during 2007 comprised: contract drilling; well servicing; snubbing; procurement and distribution of oilfield supplies; camp and catering; manufacture and refurbishment of rig equipment; portable wastewater treatment; and rental of surface oilfield equipment, tubulars, well control equipment and wellsite accommodations. In the United States, Precision s business is primarily the provision of contract drilling services in land based markets.

In 2007 Precision increased capital spending on additions to property, plant and equipment to grow and upgrade its high performance drilling rig fleet in Canada and the United States, significantly expanded its contract drilling operations in the United States and mobilized one drilling rig for a project in Latin America.

Precision invested $141 million in expansion capital for the purchase of property, plant and equipment and $46 million in upgrade capital in 2007. In 2007 Precision commissioned 16 new drilling rigs and two new service rigs and decommissioned 11 drilling and 16 service rigs.

The expansion of Precision s Contract Drilling Services segment in the United States began in June 2006 with the deployment of one Super Single rig drilling to Texas. In 2007 Precision deployed an additional seven Super Single rigs and four triple diesel-electric rigs for work contracted in Texas, Colorado, Oklahoma and Wyoming. In early 2008 Precision also mobilized one additional Super Single rig to Colorado and one additional triple diesel-electric rig to New York, bringing its fleet of high performance drilling rigs operating in the United States to 14, and entered into contracts for the delivery of three additional new Super Single rigs to Colorado in 2009. As conditions warrant, Precision may deploy additional rigs from Canada into the United States market.

Precision converted to an income trust effective November 7, 2005. Upon conversion, the Trust began making monthly distributions to holders of Trust Units (Trust Unitholders) and holders of Exchangeable Units (Exchangeable Unitholders) (together Unitholders). The Trust has a legal entity structure whereby Precision Drilling Trust effectively must flow its taxable income to Trust Unitholders pursuant to its Declaration of Trust. Distributions may be reduced, increased or suspended entirely depending on the operations of Precision and the performance of its assets, or legislative changes in tax laws by governments in Canada.

Until early 2005 Precision had an aggressive global growth strategy directed toward the supply of oilfield and industrial services to customers in Canada and internationally. Precision grew through a series of acquisitions of related businesses until mid 2004 and through reinvestment in its core businesses to become one of the largest Canadian based international oilfield and industrial services contractors.

During 2005 Precision underwent a significant shift in its strategic business direction with its decision to realize the value in the international contract drilling, energy services and industrial services segments of its business. This value was realized through the divestiture of three business lines in the third quarter of 2005: Precision Energy Services which was the technology services group providing cased hole and open hole wireline services, drilling and evaluation services and production services; Precision Drilling International which was an international land rig contractor; and CEDA International Corporation (CEDA) which provided industrial cleaning, catalyst handling and mechanical services. The dispositions provided shareholders of Precision with proceeds in the form of a special cash payment of $844 million and almost 26 million shares of Weatherford International Ltd. (Weatherford) valued at $2.0 billion.

After the above dispositions, the continuing business represented Precision s core expertise and marked a return to Precision s business roots in western Canada which date back more than 20 years as a publicly traded company and over 50 years in operational experience.

Over the last three years, significant acquisitions, dispositions and reorganizations consisted of the following:

Significant Acquisitions

On August 17, 2006 Precision acquired Terra, a privately owned wastewater treatment business operating at remote worksite locations, for an aggregate purchase price of $16 million. Terra had 41 treatment units at the time of the acquisition. The service provided by Terra complements those provided by the LRG Catering and Precision Rentals divisions and expanded the diversity of services Precision offered its customers.

Significant Dispositions

On August 31, 2005 Precision sold its Energy Services and International Contract Drilling divisions to Weatherford for a purchase price consisting of nearly 26 million common shares of Weatherford and $1.13 billion cash pursuant to a stock purchase agreement dated June 6, 2005 between Precision and Weatherford (the Weatherford Sale Agreement). The Energy Services division of Precision consisted of three main business segments: wireline logging services; drilling and evaluation services; and production services. Wireline services included open hole logging, cased hole logging and completion and slick line services. Drilling and evaluation services included measurement-while-drilling, logging-while-drilling, directional drilling and rotary steerable services. Production services included well testing and controlled pressure drilling (which included under balanced drilling services). Precision s International Contract Drilling division was comprised of 48 land drilling rigs operating in Kuwait, Saudi Arabia, Oman, Iran, Egypt, India, Mexico and Venezuela.

On September 13, 2005 Precision sold 100% of the shares of CEDA to an investment entity of the Ontario Municipal Employees Retirement System for approximately $274 million pursuant to an agreement dated September 13, 2005 between Precision and 1191678 Alberta Inc. (the CEDA Sale Agreement). CEDA was a leading provider of industrial maintenance, turnaround services and other specialized services to various production industries in Canada and the United States. Its main areas of operation included industrial cleaning, catalyst handling and mechanical services usually carried out in large facilities operating in the oil and natural gas, petrochemical and pulp and paper industries.

Significant Reorganizations

On July 31, 2005 Precision Limited Partnership (which carried on Precision s Canadian contract drilling, service rig and snubbing businesses) completed a re-organization whereby substantially all of the assets of the Precision Drilling and Precision Well Servicing divisions of Precision Limited Partnership were transferred to its wholly-owned subsidiary Precision Drilling Ltd. Precision Limited Partnership also transferred its ownership in LRG Catering Ltd. (Precision s camp and catering business) to Precision Drilling Ltd.

On August 25, 2005 Precision Limited Partnership was dissolved, with its partners Precision Diversified Services Ltd. and Precision being allocated their pro rata share of the net assets of Precision Limited Partnership. Precision Diversified Services Ltd. and Precision transferred those net assets to Live Well Service Ltd.

On October 31, 2005 the shareholders of Precision approved the Plan of Arrangement which became effective on November 7, 2005. The Plan of Arrangement resulted in the following:

- the former holders of common shares of Precision received, for each share of Precision they owned, at their option, either a Trust Unit or an Exchangeable Unit, in addition to 0.2089 of a Weatherford share and a special cash payment of $6.83;

- Precision amalgamated with the following wholly-owned subsidiaries: Columbia Oilfield Supply Ltd., Rostel Industries Ltd., Precision Diversified Services Ltd., LRG Catering Ltd., Precision Rentals Ltd., 1181177 Alberta Ltd. and Precision Drilling Ltd., to form Precision Drilling Corporation;

- 1195309 Alberta ULC, a wholly-owned subsidiary of PDLP, became indebted to PDLP;

- all of the issued and outstanding options issued pursuant to Precision s various stock option plans were converted into New Options (as defined in the Plan of Arrangement) which became fully vested and were exercisable up to and including November 22, 2005; and

- all of the PDLP A Units were issued to the Trust, representing 99.12% of the total number of limited partnership units of PDLP (the Limited Partnership Units) outstanding, 0.88% of the Limited Partnership Units represented by Exchangeable Units were issued to certain former shareholders of Precision, and 1194312 Alberta Ltd. (the General Partner) became a nominal interest holder in PDLP.

On November 23, 2005 Precision amalgamated with 1195309 Alberta ULC to form Precision Drilling Corporation.
On January 1, 2006 Precision amalgamated with Live Well Service Ltd.
On August 17, 2006 Terra transferred substantially all of its net assets to Terra Water Systems Limited Partnership (Terra Water).
On January 1, 2007 Precision amalgamated with Terra.

Cash Flow

The Trust holds PDLP A Units and PDLP holds a promissory note owing by Precision (the Promissory Note). Cash generated from the operations of Precision flow to PDLP in settlement of principal and interest owing on the Promissory Note. The cash payable to PDLP is then available to be paid to the limited partners of PDLP which includes holders of Exchangeable Units and indirectly, the holders of Trust Units.

Cash Distributions on Trust Units

The Trust s Board of Trustees adopted a policy of making regular cash distributions on or about the 15th day following the end of each calendar month to Trust Unitholders of record on the last business day of each such calendar month or such other date as determined from time to time by the Board of Trustees. In addition, the Declaration of Trust provides that, an amount equal to net income of the Trust not already paid to holders of Trust Units in the year will become payable on December 31 of each year, such that the Trust will not be liable for ordinary income taxes for such year. Please refer to *Certain Canadian Federal Income Tax Considerations Taxation of the Trust* on pages 46 and 47 of the 2005 Special Meeting Information Circular which are incorporated by reference into this Annual Information Form.

The Board of Trustees reviews the Trust s distribution policy from time to time. The actual amount distributed is dependent on various economic factors and distributions are declared at the discretion of the Board of Trustees. The actual cash flow available for distribution to Unitholders is a function of numerous factors, including the Trust s, PDLP s and Precision s financial performance; debt covenants and obligations; working capital requirements; upgrade and expansion capital expenditure requirements for the purchase of property, plant and equipment; and number of Trust Units and Exchangeable Units issued and outstanding.

As a result of the aforementioned factors, distributions may be increased, reduced or suspended entirely. The market value of the Trust Units may deteriorate if the Trust decreases or suspends cash distributions in the future. Refer to the heading *Risk Factors* commencing on page 18 hereof.

Under the terms of the Declaration of Trust, the Trust is required to make distributions to holders of Trust Units in amounts at least equal to its taxable income. Distributions may be monthly or special and in cash or in Trust Units (in-kind) at the discretion of the Board of Trustees. To the extent that additional cash distributions are paid and capital expenditure or investment programs are not adjusted, debt levels may increase. In the event that a distribution in the form of Trust Units is declared, the terms of the Declaration of Trust require that the outstanding units be consolidated immediately subsequent to the distribution. The number of outstanding Trust Units would remain at the number outstanding immediately prior to the unit distribution and an amount equal to the distribution would be allocated to the holders of Trust Units. For greater clarity, holders of Trust Units do not receive additional Trust Units during an in-kind issuance and consolidation process.

Payments on Exchangeable Units

Holders of Exchangeable Units will be entitled to receive, and PDLP will make, subject to applicable law, on each date on which the Board of Trustees declares a distribution on the Trust Units, a loan in respect of each Exchangeable Unit in an amount in cash for each Exchangeable Unit equal to the distribution declared on each Trust Unit; or in the case of a distribution declared on the Trust Units in securities or property other than cash or Trust

Units, a loan in the amount equal to the value of such type and amount of securities or property which is the same as, or economically equivalent to, the type and amount of property declared as a distribution on each Trust Unit.

Any amount loaned in respect of Exchangeable Units pursuant to these distribution entitlements will not constitute a distribution of profits or other compensation by way of income in respect of such Exchangeable Units, rather, will constitute a non-interest bearing loan of the amount thereof, or in the case of property, a loan in the amount equal to the fair market value thereof as determined in good faith by the board of directors of the General Partner, which loan is repayable on the first day of January of the calendar year next following the date of the loan or such earlier date as may be applicable as more particularly described in paragraph 3.7 of Appendix D of the 2005 Special Meeting Information Circular which is incorporated by reference into this Annual Information Form.

On the date on which the loan is repayable, PDLP will make a distribution in respect of each Exchangeable Unit equal to the amount of the loan outstanding in respect thereof. PDLP will set off and apply the amount of any such distribution payment against the obligation of any holder of Exchangeable Units under any loan outstanding in respect thereof.

In the event that a distribution in the form of Trust Units is declared the outstanding units will be consolidated immediately subsequent to the distribution. The number of outstanding Exchangeable Units would remain at the number outstanding immediately prior to the unit distribution and an amount equal to the distribution would be allocated to the holders of Exchangeable Units. For greater clarity, holders of Exchangeable Units do not receive additional Exchangeable Units during an in-kind issuance and consolidation process.

Distribution Reinvestment Plan

Effective December 18, 2006 the distribution reinvestment plan (the DRIP), outlined below, was suspended indefinitely by the Board of Trustees. Details of the DRIP are described more fully in the DRIP document available on the Trust s website at www.precisiondrilling.com.

A DRIP was approved by the Board of Trustees on February 14, 2006. The DRIP was implemented on March 31, 2006 and allows certain holders of Trust Units, at their option, to reinvest monthly cash distributions to acquire additional Trust Units at the average market price as defined in the DRIP. Unless otherwise announced by the Trust, Trust Unitholders who are not residents of Canada are not eligible to participate, directly or indirectly, in the DRIP. Exchangeable Unitholders also are not eligible to participate in the DRIP. Generally, no brokerage fees or commissions are payable by participants for the purchase of Trust Units under the DRIP, but holders of Trust Units should make inquiries with their broker, investment dealer or financial institution through which their Trust Units are held as to any policies that may result in any fees or commissions being payable. The Trust reserved the right to amend, terminate or suspend the DRIP at any time provided that such amendment, termination or suspension does not prejudice the interests of holders of Trust Units.

Board of Trustees

Pursuant to the terms of the Declaration of Trust, the Board of Trustees consists of three members who are responsible for supervising the activities and managing the affairs of the Trust.

The Declaration of Trust provides that, subject to its terms and conditions, the Board of Trustees has full, absolute and exclusive power, control, authority and discretion over the Trust assets and the management of the affairs of the Trust to the same extent as if the Board of Trustees were the sole and absolute legal and beneficial owners of the Trust assets.

Any one or more of the Board of Trustees may resign upon 30 days written notice to the Trust and may be removed by an ordinary resolution and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the affirmative vote of a quorum of the Board of Trustees.

Trustees are elected at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting. A quorum of the Board of Trustees is a majority of the Trustees then holding office. A majority of the Trustees may fill a vacancy in the Board of Trustees, except a vacancy resulting from an increase in the number of Trustees or from a failure of the Unitholders to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from a failure of the Unitholders to elect the required number of Trustees, the Board of Trustees will promptly call a special meeting of the Unitholders to fill the vacancy. If the Board of Trustees fails to call that meeting or if there are no Trustees then in office, any Unitholder may call the meeting. Except as otherwise provided in the Declaration of Trust, the Board of Trustees may, between annual meetings of Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Unitholders, but the number of additional Trustees will not at any time exceed one-third of the number of Trustees who held office at the expiration of the immediately preceding annual meeting of Unitholders.

Administration Agreement

The Trust and Precision are parties to an administration agreement entered into on November 7, 2005 (the Administration Agreement). Under the terms of the Administration Agreement, Precision provides administrative and support services to the Trust including, without limitation, those necessary to:

- ensure compliance by the Trust with continuous disclosure obligations under applicable securities legislation;
- provide investor relations services;
- provide or cause to be provided to Trust Unitholders all information to which Trust Unitholders are entitled under the Declaration of Trust, including relevant information with respect to financial reporting and income taxes;
- call and hold meetings of Trust Unitholders and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings;
- assist the Board of Trustees in calculating distributions to Trust Unitholders;
- ensure compliance with the Trust s limitations on non-resident ownership, if applicable; and
- generally provide all other services as may be necessary or as may be requested by the Board of Trustees.

DESCRIPTION OF THE BUSINESS OF PRECISION

GENERAL

Precision s continuing operations are carried out in two segments consisting of Contract Drilling Services and Completion and Production Services. The Contract Drilling Services segment includes land drilling services, camp and catering services, procurement and distribution of oilfield supplies and the manufacture and refurbishment of drilling and service rig equipment. The Completion and Production Services segment includes service rig well completion and workover services, snubbing services, wastewater treatment services and the rental of oilfield surface equipment, tubulars and well control equipment and wellsite accommodations. As at December 31, 2007 Precision had approximately 4,600 employees.

Precision s revenue by business segment from continuing operations is illustrated in the following table:

(in thousands CDN$)

Years ended December 31,		**2007**		**2006**		**2005**
Contract Drilling Services	$	694,340	$	1,009,821	$	916,221
Completion and Production Services		327,471		441,017		369,667
Inter-segment eliminations		(12,610)		(13,254)		(16,709)
Total Revenue	$	1,009,201	$	1,437,584	$	1,269,179

In Canada, the economics of oilfield services align with global and regional fundamentals. Important regional drivers include the underlying hydrocarbon make-up of the Western Canada Sedimentary Basin (the

WCSB) and the existence of an established, competitive and efficient oilfield service infrastructure. Increasingly, natural gas production is driving economics within the WCSB as approximately 70% of new well completions in 2007 targeted natural gas. In general, drilling rig activity in the WCSB is split between four provinces with approximately 71% in Alberta, 14% in Saskatchewan, 14% in British Columbia and 1% in Manitoba. Areas in Canada s north hold significant promise for the expansion of oil and natural gas services but remain as largely untapped frontier opportunities pending government and community support to further infrastructure project economics. The Canadian oilfield service industry dates to the 1940s and has given Canada the means to develop its reserves to meet domestic consumption and to provide export capacity, primarily to the United States. Today Canada is the world s seventh largest producer of oil and third largest producer of natural gas. Currently, over half of Canada s oil and natural gas production is exported to the United States.

The hydrocarbon structures of the WCSB are diverse and conventional sources of oil and natural gas reservoirs exist at a variety of depths which are comparatively shallow by global standards. These conventional sources are complemented by more costly and challenging unconventional reservoirs associated with oil sands, heavy oil, natural gas in coal and in shale and in deeper, low permeability formations. The oil sands deposits in northern Alberta are a world-scale resource with an estimated 175 billion barrels of recoverable reserves which are second only to Saudi Arabia in terms of reserves held by an individual country.

The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the thawing of ground frost typically renders secondary roads incapable of supporting the weight of heavy equipment until such time as they have thoroughly dried. The duration of 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 when the ground is frozen enough to support the transportation of heavy equipment. The timing of winter freeze-up and spring break-up affects Precision s ability to move equipment in and out of these areas. Wet weather can further defer commencement of drilling or servicing operations on any given day or well location.

Precision currently derives the majority of its revenue from the Canadian market. In 2006 an expansion into the United States drilling market was initiated and continued to become a larger part of Precision s operations in 2007. In fiscal 2007 one customer accounted for approximately 10% of Precision s revenue.

Providing oilfield services incorporates three main elements: people, technology and equipment. Attracting, training and retaining qualified employees is a challenge for oilfield services providers. As exploration and production activities are taking place in an ever increasing variety of surface and subsurface conditions, developing technology and building equipment that can withstand increasing physical challenges and operate more efficiently is required to maintain and improve the economics of crude oil and natural gas production. The primary economic risk assumed by oilfield service providers relates to the volatility in activity levels which affect utilization rates, investment in people, technology and equipment and cost controls.

The economics of oilfield service providers are largely driven by the price of crude oil and natural gas realized by its customers. Crude oil and natural gas prices have historically been volatile. The upward trend in commodity prices since 2002 through 2007 peaked for natural gas in December 2005 and for oil in November 2007. The price for gas has retreated from that time but remains at reasonably high levels when compared to pricing trends over the past five years. The price for oil continues to see new highs with peaks in January and February of 2008.

CONTRACT DRILLING SERVICES

Precision s Contract Drilling Services segment is comprised of the following divisions and affiliates:

Precision Drilling 232 land drilling rigs in Canada;

Precision Drilling Oilfield Services 12 land drilling rigs in the United States;

A Precision affiliate one land drilling rig in Latin America;

LRG Catering (LRG) 102 drilling and base camps, with food catering in Canada and the United States;

Rostel Industries (Rostel) engineering, machining, fabrication, component manufacturing and repair services for drilling and service rigs primarily for Precision s operations; and

Columbia Oilfield Supply (Columbia) centralized procurement, inventory and distribution of consumable supplies primarily for Precision s operations.

Precision Drilling

The Precision Drilling division owns and operates the largest fleet of land drilling rigs in Canada with 232 actively marketed drilling rigs located throughout the WCSB, accounting for approximately 26% of the industry s fleet of 898 drilling rigs in Canada at December 31, 2007.

Oil and natural gas well drilling contracts are carried out on a daywork, metreage or turnkey basis. Under daywork contracts, Precision charges the customer a fixed rate per day regardless of the number of days needed to drill the well. In addition, daywork contracts usually provide for a reduced day rate (or a lump sum amount) for mobilization of the rig to the well location and for both assembly and dismantling of the rig. Under daywork contracts, Precision ordinarily bears no part of the costs arising from downhole risks (such as time delays for various reasons, including a stuck or broken drill string or blowouts). Other contracts could provide for payment on a metreage basis whereby Precision would be paid a fixed charge for each metre drilled regardless of the time required or the problems encountered in drilling the well. Some contracts are carried out on a metreage basis to a specified depth and on a daywork basis thereafter. Turnkey contracts contemplate the drilling of a well for a fixed price. Compared to daywork contracts, metreage and turnkey contracts involve a higher degree of risk to Precision and, accordingly, normally provide greater profit or loss potential. Over the last five years, Precision s contracts have been carried out almost exclusively on a daywork basis.

Contracts with customers vary in duration from a day or two on shallow single well applications to multiple year, multiple well drilling programs. Precision s newly built drilling rigs tend to have term contracts prior to the rig being completed and in many cases have a three to five year capital payout contract in place at the time construction commences.

Precision s drilling rigs have varying configurations and capabilities which enable Precision to provide services in virtually all areas of drilling activity in the WCSB. Precision s rigs have drilling depth capacities of up to 6,700 metres. Conventional rigs are configured to handle either one, two or three joints of standard length drill pipe at one time and are categorized as singles, doubles or triples based on this capability. As well, Precision has coiled tubing drilling rigs which utilize a single strand of pipe coiled around a reel. As a coil tubing drilling rig drills, the tubing is unwound and as the tubing is rewound onto the reel the bit returns to surface.

Single, double and coiled tubing rigs are generally used in the shallow drilling market, while triple rigs, which have greater hoisting capacity, are used in deeper exploration and development drilling, usually carried out in the foothills and Rocky Mountain regions of Canada and the United States. Precision s triple rig fleet includes specialized rigs for deep sour natural gas well drilling. Virtually all Precision drilling rigs are capable of operating under all climatic conditions.

Rounding out Precision s fleet are Super Single rigs, the majority of which have slant capability. The Super Single rigs are manufactured by Precision and are equipped with top drive drilling systems, extended length drill pipe and an automated pipe handling system. Slant drilling involves tilting a rig mast from vertical and is primarily used to drill multiple directional wells from one location. Super Single rigs allow for drilling to be carried out on a more cost effective basis than using conventional drilling techniques. Drilling multiple wells from one location, for instance, improves the economics of developing shallow hydrocarbon reserves. Additionally, the same technique can allow for the exploitation of reserves located in environmentally sensitive areas or inaccessible locations and can reduce or eliminate the cost of building access roads for multiple drilling locations. Precision believes the Super Single rig category will continue to offer significant revenue growth. In addition to conventional wells, Precision s Super Single rigs have been adapted to meet a variety of operational needs such as heavy oil, natural gas in coal and in shale, tight gas, oil sands production and steam assisted gravity drainage projects.

The Super Single Light is a scaled-down version of the Super Single without slant drilling capabilities. These rigs have been built for drilling shallow wells up to 1,200 metres in depth. Using extended length drill pipe, the design incorporates proven technology and reliability in a light weight, easily moved load configuration. The Super Single Light competes with coiled tubing rigs and offers greater drilling capability over a wider range of well configurations than coiled tubing rigs.

Rigs built by Precision are designed for greater safety and operating efficiency to deliver well cost savings to customers. High performance drilling rigs combine high mobility, automation, advanced control systems, minimal environmental impact, and highly trained crews. Over the past 12 years Precision has been developing the Super Series drilling rigs and has built 35 Super Single , seven Super Single Light and eight Super Triple rigs.

To facilitate customer requirements Precision also owns 17 mobile top drives and 41 rigs with integrated top drives. A top drive is used to rotate the drill string and provides greater efficiency in the drilling of a well compared to the traditional rotary table and kelly. A top drive is suspended in the mast of the drilling rig and is powered by a hydraulic or electric motor.

Precision continually seeks to upgrade and modify its rig fleet to maximize performance. Precision works hard to remain abreast of, and in many cases, lead advances in specialized drilling techniques and technology in order to maximize rig efficiency and minimize environmental impact. A total of 49 of Precision s drilling rigs are diesel-electric powered, with the remaining rigs mechanically powered. Diesel-electric powered rigs provide more precise control of drilling components and are considered more power efficient than mechanical rigs and are well suited for horizontal and directional drilling. Eight of the diesel electric rigs are AC power driven which provides for increased scalability, more efficient power conversion, smaller component size and weight, and a broader performance range. Many of Precision s mechanically powered rigs are also capable of horizontal and directional drilling by reconfiguring the rigs with additional equipment which Precision has readily available.

The following table lists the drilling depth capabilities of Precision s drilling rigs and the total Canadian land drilling industry s rigs in the WCSB as at December 31, 2007:

		Precision Fleet			Industry Fleet[(1)]		
Type of Drilling Rig	**Maximum Depth Rating**	**Number of Rigs**	**% of Total**	**Market Share %[(3)]**	**Number of Rigs**	**% of Total**	**Change[(4)]**
Single	1,200 m	14	6	8	165	18	20
Super Single [(2)]	3,000 m	33	14	89	37	4	4
Double	3,000 m	87	38	22	393	44	29
Light triple	3,600 m	40	17	34	116	13	(1)
Super Triple[(5)]	4,000 m	8	3	100	8	1	3
Heavy triple	6,700 m	39	17	36	109	12	(4)

Coiled tubing	1,500 m	11	5	16	70	8	5
Total		**232**	**100%**	**26%**	**898**	**100%**	**56**

NOTES:

(1) Source: Daily Oil Bulletin Rig Locator Report as of January 2008. Precision has allocated the industry rig fleet by rig type and removed its 11 decommissioned rigs.

(2) Super Single excludes single rigs that do not have automated pipe handling, a self contained top drive, or run extended length drill pipe/casing.

(3) Market share means Precision s rigs as a percent of the industry rigs.

(4) Change in number of industry rigs as compared to the prior year.

(5) Super Triple includes features such as extended length drill pipe, AC power, iron roughneck, mobility without cranes, top drive and an advanced control system.

There was a net addition of 56 drilling rigs added to the Canadian industry fleet during 2007, a 7% increase over 2006. In 2006 customer demand to drill conventional oil and natural gas wells, in combination with improving commercialization of natural gas in coal and in shale, oil sands, heavy oil and deeper natural gas formations had driven demand for rigs to record levels but the slowdown in drilling activity commencing in the second half of 2006 reduced 2007 rig utilization rates.

The following table lists the drilling rig utilization rates and certain other drilling statistics for Precision compared to the total land drilling industry in the WCSB for the years indicated:

	Utilization Rates (%)		**Metres Drilled (000s)**			**Wells Drilled**[1]		
	Precision	**Industry**[2]	**Precision**	**Industry**[2]	**% of Industry**	**Precision**	**Industry**[2]	**% of Industry**
2007	34.5	37.7	5,813	22,189	26.2	4,718	18,342	25.7
2006	52.1	55.1	7,810	27,373	28.5	6,180	22,575	27.4
2005	56.1	59.6	8,901	28,143	31.6	7,766	24,351	31.9
2004	50.3	52.9	8,021	23,526	34.1	7,525	21,793	34.5
2003	52.0	53.1	8,604	21,802	39.5	8,451	20,694	40.8

NOTES:

(1) The number of wells drilled is reported on a rig release basis, compiled by Precision.

(2) Industry numbers exclude drilling rigs not registered with the Canadian Association of Oilwell Drilling Contractors (CAODC) and non-reporting CAODC member contractors.

Since 1997 Precision has consistently been the most active land drilling contractor in Canada in terms of operating days, wells and metres drilled, and presently has a market share of 26% in Canada. During 2007 Precision achieved a utilization rate of 34% for its Canadian drilling rigs compared to the average industry utilization rate in Canada of 38%. Precision strives to obtain high utilization of its fleet and optimal profitability given competitive pricing and Canada s seasonal reduction in drilling demand during the second and third quarters.

In 2007 Precision drilled 4,718 exploration and development wells, accounting for 26% of industry wells drilled in western Canada.

Precision s fleet can drill virtually all types of on-shore conventional and unconventional oil and gas wells in North America. It is particularly adept in developing unconventional resources such as oil sands, natural gas in coal and in shale or tight gas. The increase in drilling-intensive unconventional resource plays creates opportunities for technically innovative and operationally efficient drillers like Precision.

The drilling industry in Canada requires specialized skill and knowledge which, due to increased utilization levels over the past decade, has been in short supply. A drilling rig crew is comprised of a rig manager, driller, derrickman, motorman, floorman and leaseman. The traditional rig crewing configuration is three crews working rotating shifts, two weeks in and one week out, allowing the rig to keep working with one crew off. The floor and lease positions are entry level, with the motorman, derrickman and driller positions being more advanced. Each position has certain prerequisite qualifications and training. Well control, H_2S, first aid, fall protection, work place hazardous materials and various aspects of Precision s health, safety and environment management systems are all key training components.

The provision of an experienced competent crew is a competitive strength, highly valued by Precision s customers. In order to continually recruit rig employees, Precision has a centralized personnel department and orientation program. In 2007 there were approximately 594 candidates given pre-employment rig orientation training. Precision is also active as a member of the CAODC in implementing the Rig Technician journeyman program, a designated trade certification for drilling rig workers in Alberta, the first jurisdiction to recognize the specialized skill and knowledge that a driller must possess.

The shortage of labour in the oilfield service industry in recent years continues with human resource issues expected to remain a priority for the industry for the foreseeable future. For Precision, emphasis is placed on retention of experienced employees in derrickman, driller and rig manager positions. A shortage occurs in high activity periods when most of the rig fleet is working. The service industry loses experienced employees to customers, competitors, other oilfield businesses and to other industries due to the cyclical nature of the work and the resulting uncertainty of continuing employment. During 2007 Precision focused on the retention of existing employees through initiatives that provide a safe and productive work environment, opportunity for advancement and added wage security through programs such as our Designated Driller Program.

Precision s ability to work an entire fleet of rigs, given Canadian seasonality, arises from its ability to retain experienced employees in low activity periods, orientate new employees and effectively administer personnel and payroll functions.

Precision Drilling Oilfield Services, Inc.

Precision Drilling Oilfield Services, Inc. began current operations in the United States in June 2006 with one rig operating in Texas and grew to a fleet of 12 rigs by the end of 2007 with seven rigs in Texas, four in Colorado, and one in Wyoming, all under term contracts. The 11 rig increase in 2007 included seven new Super Single™ rigs of which five are diesel electric AC driven and two are mechanical, and four diesel-electric triple rigs all deployed out of Canada. The combined utilization including move days was 99% as the fleet experienced minimal downtime. The United States market also does not typically experience the same seasonality as in Canada therefore utilization is expected to be much higher. United States operations in the Rocky Mountain region are based in Colorado, and in the South Central region are based in Texas. In early 2008 Precision mobilized one diesel-electric triple rig to New York and one diesel electric AC driven Super Triple rig to Colorado.

LRG Catering

LRG provides food and accommodation to personnel working at the wellsite, typically in remote locations in western Canada. LRG has 99 drilling camps and base camps representing approximately 12% of the camp and catering business in western Canada and three drilling camps in the United States. LRG s mobile camps include five or six units and can accommodate 20 to 25 crew members and individual dormitory units that can accommodate up to 45 crew members. It can also provide food service for all of the field workers on a location. LRG also has the ability to configure several of its camps and dormitories on a single site to create a base camp for major projects which can house as many as 200 workers and provide up to 1,000 meals a day. As the oil and gas industry in western Canada moves to more remote locations in search of new reserves there is increasing demand for crews to stay near the worksite throughout the duration of a project. LRG serves Precision and other companies in the upstream oil and gas sector and periodically secures opportunities to serve other industries that operate in remote locations.

Rostel Industries

Rostel Industries manufactures and refurbishes custom drilling rig and service rig components. This uniquely positions Precision with in-house rig manufacturing capability. Approximately 70% of Rostel s activities support Precision business units**.** The ability to repair or provide new components for either drilling or service rigs in-house improves the efficiency and reliability of Precision s fleet. In addition to quality construction and repair services, Rostel sustains high plant utilization by providing specialized services, including inspection and certification of critical drilling components such as overhead equipment, well control equipment and handling tools. Rostel s expertise includes an in-house engineering group as well as an equipment sales group that specializes in the distribution of mud pumps and other imported products. Rostel designs and builds a significant portion of the components for Precision s Super Single™ drilling rigs and is developing products that can be applied to new rigs and retro-fitted to improve the versatility of many of Precision s existing rigs. Strategically, Rostel gives Precision the ability to control cost, quality and production schedules that meet customer requirements.

Columbia Oilfield Supply

Columbia Oilfield Supply is a general supply store that procures, packages and distributes large volumes of consumable oilfield supplies for the contract drilling and well servicing industry. Approximately 90% of Columbia s activities support Precision operations and it plays a key role in supply chain management for Precision. Columbia s key strengths, which contribute to Precision s competitiveness, are in inventory management, demand anticipation and distribution. Precision and its customers also benefit from Columbia s purchasing power, standardized product selection, streamlined business processes and coordinated distribution. Strategically, Columbia gives Precision the ability to set its own service level priorities and to standardize products used on its equipment. Through Columbia, Precision has direct control over supply distribution to field destinations which enhances its reliability in the execution of its operations.

COMPLETION AND PRODUCTION SERVICES

Precision s Completion and Production Services segment is comprised of the following businesses in Canada:

Precision Well Servicing 223 well completion and workover service rigs;

Live Well Service 27 snubbing units;

Precision Rentals about 13,000 rental items including well control equipment, surface equipment, specialty tubulars and wellsite accommodation units; and

Terra Water 63 wastewater treatment units.

Precision Well Servicing

The Precision Well Servicing division is Canada s largest service rig contractor, providing customers with a complete range of oil and natural gas well services completion, workover, abandonment, well maintenance, high pressure and critical sour gas well work and re-entry preparation. Precision s service rig fleet completes all types of new wells and works over existing wells to optimize customers oil and natural gas production. The configuration of Precision s Well Servicing fleet as at December 31, 2007 is illustrated in the following table:

Type of Service Rig	**2007**	**2006**	**2005**
Singles:			
Mobile single	5	12	17
Freestanding mobile	94	92	88
Doubles:			
Mobile	43	44	44
Freestanding mobile	9	9	8
Skid	55	65	65
Slants:			
Freestanding	17	15	15
Total	**223**	**237**	**237**

At the end of 2007 Precision Well Servicing had an industry market share of 20% with a rig fleet of 223 rigs after decommissioning 16 rigs, while the average registered CAODC industry fleet was approximately 1,100 service rigs in western Canada. Precision Well Servicing continued to upgrade its fleet through initiatives that included freestanding conversions and new transporters along with engines and combination trailers. As at December 31, 2007 Precision Well Servicing had 120 freestanding service rigs representing 54% of its service rig fleet. A freestanding rig is more efficient to set up, minimizes surface disturbance and, as there is no need for anchors, reduces the possibility of striking underground utilities. However, a majority of the mobile double rigs are not freestanding as the additional weight to convert them would limit movement during restricted road use periods. Skid double rigs are ideal for deeper natural gas wells which require multi-zone completion or re-completion. This type of work usually has the service rig working for a greater length of time so the rig does not need to be moved as often. They also include additional equipment such as circulating pumps, tanks, blowout preventers and tools.

Well servicing requires its own unique skill set and in addition to physical work, harsh weather and other factors crews must deal with the potential dangers and safety concerns of working with pressurized wellbores. A typical service rig crew has four members: driller, derrickman, and two floormen, in addition to the rig manager. Servicing wells often means coordinating activities of several service companies so work normally takes place in daylight hours. Jobs are typically shorter in well servicing than contract drilling so the ability of a service rig to move quickly from one site to another is critical. Precision Well Servicing typically charges its customers an hourly rate for its services based on a number of considerations including market demand in the region, the type of rig and complement of equipment required.

The Precision Well Servicing rig fleet is deployed throughout the WCSB to improve efficiency and reduce travel time to wellsites. Well servicing operations have two distinct functions completions and workovers. Service rigs are typically used during the completion phase of a well, instead of larger, more expensive drilling rigs, in order to reduce the cost of completing the well. The demand for well completion services is related to the level of drilling activity in a region whereas the demand for production or workover services is based upon the total number of active wells, their age and their producing characteristics. Consequently, demand for completion services is generally more volatile than workover services. Completions accounted for about 32% of total activity for Precision Well Servicing in 2007 as compared to 38% in 2006. Workovers accounted for 68% in 2007 compared to 62% in 2006.

After a well is initially drilled, the well operator contracts a service provider such as Precision Well Servicing to supply the crew and equipment to complete the well. Completion services prepare a newly drilled well for initial production and may involve cleaning out the wellbore and the installation of production tubing, downhole equipment and wellheads. Service rigs work jointly with other services to perforate the wellbore to open the producing zones and stimulate the producing zones to improve productivity. The well completion process may take one day to many weeks to complete and Precision Well Servicing provides a service rig to assist during most or all of this process.

A typical gas well in western Canada is likely to require one or more workovers during its operating life compared with four or five workovers for some conventional oil wells. Wells for some heavy oil and bitumen production could require many workovers during their lifecycle. Workovers take place over the producing life of the well and involve a variety of activities to restore or enhance production. Well maintenance services are often required to ensure continuous and efficient operation of producing wells. These services include routine mechanical repairs such as repairing failed wellbore pumping equipment or replacing damaged rods and tubing.

Workover services are generally provided according to preventative maintenance schedules or on a call-out basis when a well needs major repairs or modifications. This can involve operations similar to those conducted during the initial completion of a well. Workovers may also involve restoring or enhancing production in an existing producing zone, changing to a new producing zone, converting the well for use as an injection well for enhanced recovery operations or plugging and abandoning the well. Workover services also include major subsurface repairs such as casing repair or replacement, recovery of tubing and removal of foreign objects from the wellbore, such as lost tools. Workover activities may require a few days to several weeks to complete. During this time Precision Well Servicing may work alongside other oilfield service providers on the well location while other services are being directed by its customer.

The number of wells drilled in Canada each year has doubled in this decade compared with the 1990 s with a particular increase in natural gas and heavy oil drilling. With about 200,000 producing wells currently in western Canada as potential candidates for workovers and about 14,000 to 20,000 new wells drilled each year that must be completed and maintained, well servicing has significant growth potential for Precision.

Live Well Service

Live Well Service markets 22 portable hydraulic rig-assist snubbing units and five self-contained units in western Canada for a market share of about 25%. Snubbing units are equipped with specialized pressure control devices which allow tubing to be pushed (snubbed) into and pulled out of a wellbore while a well is under pressure and production has been suspended.

Traditional well servicing operations require the pressure in a well to be neutralized or killed, prior to performing such operations so they can be conducted safely. Some reservoirs can be damaged if a well is killed prior to workover operations, as the fluids used in the process may cause the flow characteristics of the reservoir to be impaired. Consequently, snubbing units have been developed to perform certain workover and completion activities without killing the well.

There are essentially two types of snubbing units rig-assist and self-contained. Rig-assist units work with a service rig to complete the snubbing activity for a well. Self-contained units do not require a service rig on site and are capable of snubbing and many other services traditionally completed by a service rig.

Snubbing is primarily used to enhance natural gas production and as more gas wells are drilled in western Canada each year, producers are increasingly aware of the advantages of snubbing.

Precision Rentals

Precision Rentals is a provider of oilfield rental equipment with five operating centres and 13 stocking points located throughout western Canada as well as a central technical support centre in Leduc, Alberta. Most exploration and production companies do not own the specialty equipment used in oil and gas operations and rely on suppliers such as Precision Rentals for access to large inventories of drilling, completion and production equipment.

Precision Rentals inventory of equipment is marketed through three product categories: surface equipment; tubulars and well control equipment; and wellsite accommodation units.

Surface equipment includes 2,300 drilling and production tanks and other equipment primarily associated with fluid handling. Tubular equipment includes about 10,000 joints of specialty-sized drill pipe and collars. Well-control equipment includes handling tools and equipment such as blowout preventers and diverter systems. Wellsite accommodations comprise 290 fully equipped units that provide office and lodging for oil and gas field personnel.

Precision Rentals also supplies the patented Vapour Tight Oil Battery , which allows for single well production of oil with hydrogen sulphide (H_2S) content through the use of a 500 barrel NACE (National Association of Corrosion Engineers) certified vessel with gas metering and flaring capabilities.

Terra Water

Terra Water s principal role is the provision of portable onsite wastewater handling, treatment, and disposal expertise within the remote worksite environment. Terra Water s equipment focuses on reducing environmental impacts from wastewater generated on site.

The wastewater treatment units are designed and manufactured in-house and are built to industry leading standards. Terra Water provides regular servicing for all of its equipment and tests treated effluent samples to ensure the units are producing high quality treated effluent with no detectible odours. Terra Water has 63 portable treatment units comprising approximately 10% of the industry within the remote work site market in western Canada.

Terra Water s large units can accommodate camp sites of up to 50 people and several units can be combined to serve large-scale base camp configurations. To meet specific requests from clients, Terra Water has developed a smaller model which is better suited to lower volume requirements of remote locations that accommodate less than 15 people.

RISK FACTORS

THE TRUST

An investment in the Trust Units and Exchangeable Units involves a number of risks including those set forth below.

The Trust is Dependent on Precision for All Cash Available for Distributions

The Trust is dependent on the operations and assets of Precision through its interest in PDLP, which in turn owns 100% of the shares of Precision and the Promissory Note. Distributions to the holders of Trust Units and Exchangeable Units are dependent on the ability of Precision to make principal and interest payments on the Promissory Note, dividends and return of capital payments. The actual amount of cash available for distribution is dependent upon numerous factors relating to the business of Precision including profitability, changes in revenue, fluctuations in working capital, capital expenditure levels, applicable laws, compliance with contracts, contractual restrictions contained in the instruments governing its indebtedness, the impact of interest rates, the growth of the general economy, the price of crude oil and natural gas, changes to tax laws, weather, future capital requirements and the number of Trust Units and Exchangeable Units issued and outstanding and potential tax liabilities resulting from any successful reassessments of prior taxation years by taxation authorities.

Any reduction in the amount of cash available for distribution, or actually distributed, by Precision will reduce or suspend entirely the amount of cash available for distributions to the holders of Trust Units and Exchangeable Units. The market value of the Trust Units may deteriorate if the Trust is unable to meet distribution expectations in the future, and such deterioration may be material.

Variability of Distributions

The actual cash flow available for distribution to Unitholders is a function of numerous factors including the Trust s, PDLP s and Precision s financial performance; debt covenants and obligations; working capital requirements; future upgrade capital expenditures and future expansion capital expenditure requirements for the purchase of property, plant and equipment; tax obligations; the impact of interest rates; the growth of the general economy; the price of crude oil and natural gas; weather; and number of Trust Units and Exchangeable Units issued and outstanding. Distributions may be increased, reduced or suspended entirely depending on Precision s operations and the performance of its assets. The market value of the Trust Units may deteriorate if the Trust is unable to meet distribution expectations in the future, and that deterioration may be material.

Changes in Legislation

There can be no assurance that income tax laws, such as the status of mutual fund trusts, or the taxation of mutual fund trusts, will not be changed in a manner which adversely affects holders of Trust Units.

Environmental and applicable operating legislation may be changed in a manner which adversely affects holders of Trust Units.

Taxation of the Trust

There can be no assurances that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Trust Units. For example, if the Trust ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading *Certain Canadian Federal Income Tax Considerations Taxation of Trust Unitholders* on pages 47 and 48 of the 2005 Special Meeting Information Circular which are incorporated by reference into this Annual Information Form, would be materially and adversely different in certain respects.

Moreover, if the Trust were to cease to qualify as a mutual fund trust, the Trust Units held by Trust Unitholders that are non-residents of Canada for purposes of the Tax Act (non-residents) would become taxable Canadian property. These non-resident holders would be subject to Canadian income tax on any gains realized on a disposition of Trust Units held by them unless they were exempt under an income tax convention, and non-resident holders would be subject to certain notification and withholding requirements on a disposition of their Trust Units. In addition, the Trust would be taxed on certain types of income distributed to Trust Unitholders (apart from under the specified investment flow-through (SIFT) legislation discussed below). Payment of this tax may have adverse consequences for some Trust Unitholders, particularly Trust Unitholders that are non-residents and residents of Canada that are otherwise exempt from Canadian income tax.

Legislation to implement proposals originally announced on October 31, 2006 relating to the taxation of certain publicly-traded trusts and their unitholders under the Tax Act has received royal assent. This legislation applies to trusts that are resident in Canada for purposes of the Tax Act, that hold one or more non-portfolio properties , and the units of which are listed on a stock exchange or other public market (a SIFT trust). A SIFT trust effectively is subject to tax on its income from non-portfolio properties and taxable capital gains from dispositions of non-portfolio properties paid, or made payable, to unitholders at a rate comparable to the combined federal and provincial corporate income tax rate. Distributions of such income to unitholders should be treated as eligible dividends paid by a taxable Canadian corporation.

In general terms, a trust that existed on October 31, 2006 and to which the SIFT trust legislation otherwise would apply, should not be a SIFT trust until the earlier of January 1, 2011 or the first day after December 15, 2006 that the trust exceeds normal growth determined by reference to guidelines issued on December 15, 2006 by the Minister of Finance (Canada) (the Guidelines). The Guidelines provide that a trust should not be considered to exceed normal growth if the trust does not issue new equity (including convertible debentures or other equity substitutes) that exceeds the greater of $50 million per year or certain specified safe harbour amounts based on the market capitalization of the trust on October 31, 2006.

Provided that the Trust does not issue new equity in an amount greater than the safe-harbour determined by the market capitalization of the Trust on October 31, 2006 the Trust should not be considered to exceed normal growth and should not be a SIFT trust until January 1, 2011. However, no assurances can be provided that the Trust will not become a SIFT trust prior to January 1, 2011.

There can be no assurance that the Trust will be able to reorganize its legal and tax structure to substantially mitigate the expected impact of the SIFT legislation. On December 20, 2007 the Minister of Finance announced that the federal government remains committed to ensuring that a SIFT trust may convert to a taxable Canadian corporation without undue tax consequences, but as of yet, no draft legislation has been released to specifically facilitate such a conversion.

Currently, under a disqualification rule contained in the Tax Act, a trust will not be considered to be a mutual fund trust if it is established or is maintained primarily for the benefit of non-residents of Canada for the purposes of the Tax Act, unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. In an effort to allow the Trust to assert that the foregoing disqualification rule is inapplicable on the basis that the Trust is not now and has never been established or maintained primarily for the benefit of non-residents of Canada, the Declaration of Trust restricts and provides mechanisms to limit the number of Trust Units held by non-residents of Canada and non-Canadian partnerships. Moreover, as a second reason to allow the Trust to assert that the foregoing disqualification rule does not apply to the Trust, the assets of the Trust have been structured to allow the Trust to assert that all or substantially all of its property is property other than Taxable Canadian property as defined in the Tax Act.

On September 16, 2004 draft amendments to these rules were introduced providing that a trust will lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-residents of Canada or partnerships that are not Canadian partnerships (as defined in the Tax Act) is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust s property is certain types of taxable Canadian property or certain other types of property. These draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. No further legislative action has been taken in respect of these draft amendments and certain of the concerns which such amendments sought to address were included in the SIFT trust Legislation.

Further, the Declaration of Trust restricts and provides mechanisms to limit the number of Trust Units held by non-residents of Canada and non-Canadian partnerships such that the Trust expects that the existing imposed non-resident ownership limitations set out in the Tax Act, discussed above, will be satisfied. In an effort to support the assertion that the Trust qualifies as a mutual fund trust under the Tax Act and in an effort to support the assertion that the maintenance of such status the Declaration of Trust provides, in part, that:

(a) if determined necessary or desirable by the Trustees, in their sole discretion, the Trust may, from time to time, among other things, take all necessary steps to monitor the activities of the Trust and ownership of the Trust Units. If at any time the Trust or the Trustees become aware that the activities of the Trust and/or ownership of the Trust Units by non-residents may threaten the status of the Trust under the Tax Act as a unit trust or a mutual fund trust , the Trust, by or through the Trustees on the Trust s behalf, is authorized to take such action as may be necessary in the opinion of the Trustees to maintain the status of the Trust as a unit trust or a mutual fund trust including, without limitation, the imposition of restrictions on the issuance by the Trust of Trust Units or the transfer by any Trust Unitholder of Trust Units to a non-resident and/or require the sale of Trust Units by non-residents on a basis determined by the Trustees and/or suspend distribution and/or other rights in respect of Trust Units held by non-residents transferred contrary to the foregoing provisions or not sold in accordance with the requirements thereof; and

(b) in addition to the foregoing, the transfer agent of Trust Units, by or through the Trustees may, if determined appropriate by the Trustees, establish operating procedures for, and maintain, a reservation system which may limit the number of Trust Units that non-residents may hold, limit the transfer of the legal or beneficial interest in any Trust Units to non-residents unless selected through a process determined appropriate by the Trustees, which may either be a random selection process or a selection process based on the first to register, or such other basis as determined by the Trustees. The operating procedures relating to such reservation system shall be determined by the Trustees and, prior to implementation, the Trust shall publicly announce the implementation of the same. Such operating procedures may, among other things, provide that any transfer of a legal or beneficial interest in any Trust Units contrary to the provisions of such reservation system may not be recognized by the Trust.

Residual Liability of Precision

Precision, the successor entity to amalgamations involving its predecessor companies, has retained all liabilities of its predecessor companies, including liabilities relating to corporate and income tax matters.

Nature of Trust Units

The Trust Units do not represent a traditional investment in the oil and natural gas services business and should not be viewed as shares of Precision. The Trust Units represent a fractional interest in the Trust. Holders of Trust Units do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring oppression or derivative actions. The Trust s sole assets are the shares of the General Partner, the PDLP A Units and other investments in securities. The price per Trust Unit is a function of anticipated net earnings, distributable cash, the underlying assets of the Trust and management s ability to effect long-term growth in the value of Precision and other entities now or hereafter owned directly or indirectly by the Trust. The market price of the Trust Units are sensitive to a variety of market conditions including, but not limited to, interest rates, the growth of the general economy, the price of crude oil and natural gas and changes in law. Changes in market conditions may adversely affect the trading price of the Trust Units.

The Trust Units are not deposits within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Qualified Dividend Treatment for Individual U.S. Holders of Trust Units

The Trust expects that distributions it makes to individual U.S. holders of Trust Units that are treated as dividends for U.S. federal income tax purposes will be treated as qualified dividend income eligible for the reduced maximum rate to individuals of 15% (5% for individuals in lower tax brackets). However, if the Trust does not constitute a qualified foreign corporation for U.S. federal income tax purposes, and as a result such dividends to individual U.S. holders of Trust Units do not qualify for this reduced maximum rate, such holders will be subject to tax on such dividends at ordinary income rates (currently at a maximum rate of 35%). In addition, under current law, the preferential tax rate for qualified dividend income will not be available for taxable years beginning after December 31, 2010. Neither the Trust nor Precision is providing any representation as to the U.S. tax consequences of holding Trust Units.

Taxation of Precision

Income fund structures often involve significant amounts of inter-entity debt, which may generate substantial interest expense, which serves to reduce earnings and therefore income tax payable. The Board of Trustees expects this to be the case in respect of Precision and its interest expense on the Promissory Note. There can be no assurance that the taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against Precision, it could have a materially adverse affect on the amount of distributable cash available.

Risks Associated with Trust Units for Non-Resident Holders of Trust Units

For non-resident holders of Trust Units, there are certain risks associated with holding Trust Units. Non-resident holders of Trust Units should consult their tax advisors with respect to the tax implications of holding Trust Units, including any associated filing requirements in their particular tax jurisdiction. Except as provided under the heading *Certain United States Federal Income Tax Considerations* on pages 51 to 54 of the 2005 Special Meeting Information Circular which are incorporated by reference into this Annual Information Form, neither the Trust nor Precision is providing any representations as to the tax consequences to non-residents of holding Trust Units.

Nature of Distributions

Unlike interest payments on an interest-bearing security, distributions by income trusts on trust units (including those of the Trust) are, for Canadian tax purposes, composed of different types of payments (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those cash distributions may change over time, thus affecting the after-tax return to holders of Trust Units. Therefore, the rate of return for holders of Trust Units over a defined period may not be comparable to the rate of return on a fixed-income security that provides a return on capital over the same period. This is because a holder of Trust Units may receive distributions that constitute a return of capital (rather than a return on capital) to some extent during the relevant period. Returns on capital are generally taxed as ordinary income, dividends or taxable capital gains in the hands of a holder of Trust Units, while returns of capital are generally non-taxable to a holder of Trust Units (but reduce the adjusted cost base in a Trust Unit for tax purposes).

Possible Restriction on Growth

The payout to Unitholders of substantially all of Precision s operating cash flow will make capital and operating expenditures dependent on increased cash flow or additional financing in the future. The lack of these funds could limit Precision s future growth and cash flow which in turn may affect the amount of distributions. In addition, Precision may be precluded from pursuing acquisitions or investments which may not be accretive on a short-term basis. Proposed rules on undue expansion were clarified by the Government of Canada in December 2006 with the result being that Precision can grow its equity by about $4.0 billion dollars subject to yearly growth limitations prior to January 1, 2011 before triggering the proposed new tax.

Investment Eligibility

If the Trust ceases to qualify as a mutual fund trust, the Trust Units will cease to be qualified investments for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, each as defined in the Tax Act (collectively, Exempt Plans). Where at the end of any month an Exempt Plan holds Trust Units that are not qualified investments, the Exempt Plan must, in respect of that month, pay a tax under Part XI.1 of the *Income Tax Act* (Canada) (the Tax Act) equal to 1% of the fair market value of the Trust Units at the times such Trust Units were acquired by the Exempt Plan. In addition, where a trust governed by a registered retirement savings plan or registered retirement income fund holds Trust Units that are not qualified investments, such trust will become taxable on its income attributable to the Trust Units while they are not qualified investments, including the full amount of any capital gain realized on a disposition of Trust Units while they are not qualified investments. Where a trust governed by a registered education savings plan holds Trust Units that are not qualified investments, the Plan s registration may be revoked.

Debt Service

Precision and its affiliates may, from time to time, finance a significant portion of their growth (either from acquisitions or capital expenditure additions) through debt. Amounts paid in respect of interest and principal on debt incurred by Precision and its affiliates may impair Precision s ability to satisfy its obligations under its debt instruments. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to service debt before payment of inter-entity debt. This may result in lower levels of cash for distribution by the Trust. Ultimately, subordination agreements or other debt obligations could preclude distributions altogether.

Potential Sales of Additional Trust Units

The Trust may issue additional Trust Units in the future to directly or indirectly fund capital expenditure requirements of Precision and other entities now or hereafter owned directly or indirectly by the Trust including to finance acquisitions by those entities. Such additional Trust Units may be issued without the approval of Unitholders. Unitholders have no pre-emptive rights in connection with such additional issues. The Board of Trustees have discretion in connection with the price and the other terms of the issue of such additional Trust Units.

Issuance of Additional Trust Units

The Declaration of Trust provides that an amount equal to the taxable income of the Trust will be payable each year to holders of Trust Units in order to reduce the Trust s taxable income to zero. Where in a particular year, the Trust does not have sufficient cash to distribute such an amount, the Declaration of Trust provides that additional Trust Units may be distributed in lieu of cash payments. Holders of Trust Units will generally be required to include an amount equal to the fair market value of those Trust Units in their taxable income, notwithstanding that they do not directly receive a cash payment. See *Certain Canadian Federal Income Tax Considerations Taxation of Trust Unitholders* on pages 47 and 48 of the 2005 Special Meeting Information Circular which are incorporated by reference into this Annual Information Form. See *General Development of the Business Cash Distributions on Trust Units* for a description of the ability to consolidate Trust Units upon the distribution of Trust Units in lieu of the payment of a cash distribution.

Distribution of Assets on Redemption or Termination of the Trust

It is anticipated that a redemption right will not be the primary mechanism for holders of Trust Units to liquidate their investment. Securities which may be received as a result of a redemption of Trust Units will not be listed on any stock exchange and no market for such securities is expected to develop. The securities so distributed may not be qualified investments for Exempt Plans, depending upon the circumstances existing at that time. On termination of the Trust, the Board of Trustees may distribute the securities directly to holders of Trust Units, subject to obtaining all of the necessary regulatory approvals. In addition, there may be resale restrictions imposed by applicable law upon the recipients of securities pursuant to a redemption right.

Deductibility of Expenses

Although the Trustees, the General Partner of PDLP and management of Precision are of the view that substantially all of the expenses claimed by the Trust, PDLP and Precision, respectively, will be reasonable and deductible, there can be no assurance that the taxation authorities will agree. If the taxation authorities successfully challenge the deductibility of any such expenses, the return to holders of Trust Units may be adversely affected.

Trust Unitholder Limited Liability

The Declaration of Trust provides that no holder of Trust Units will be subject to any liability in connection with the Trust or its obligations and affairs and, in the event that a court determines that holders of Trust Units are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of the Trust s assets. Pursuant to the Declaration of Trust, the Trust will indemnify and hold harmless each holder of Trust Units from any costs, damages, liabilities, expenses, charges and losses suffered by a holder resulting from or arising out of such holder not having such limited liability. The Declaration of Trust provides that all written instruments signed by or on behalf of the Trust must contain a provision to the effect that obligations under those instruments will not be binding upon holders of Trust Units personally. Personal liability may however arise in respect of claims against the Trust that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered unlikely. The *Income Trusts Liability Act* (Alberta) came into force on July 1, 2004. The legislation provides that a holder of Trust Units will not be, as a beneficiary, liable for any act, default, obligation or liability of the Trustee(s) that arises after the legislation came into force. However, this legislation has not yet been ruled upon by the Courts. The operations of the Trust will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability to the holders of Trust Units for claims against the Trust, including by obtaining appropriate insurance, where available and to the extent commercially feasible.

Precision Drilling Limited Partnership

The risks applicable to holders of Exchangeable Units are similar to those for holders of Trust Units, as Exchangeable Units are the voting and economic equivalent of the Trust Units. For a discussion of such risks, refer to the heading *Risk Factors The Trust* commencing on page 18 hereof.

Net Asset Value

The net asset value of the assets of the Trust from time to time will vary depending upon factors which are beyond the control of Precision. The trading price of the Trust Units also fluctuates due to factors beyond the control of Precision and such trading prices may be greater than the net asset value of the Trust s assets.

Risks Associated with Exchangeable Units

None of the Trust, PDLP or Precision is providing any representations as to the tax consequences of holding Exchangeable Units.

Indemnity of Limited Partners

While the General Partner has agreed pursuant to the terms of the Limited Partnership Agreement of PDLP to indemnify PDLP s limited partners, including holders of the Class A Limited Partnership Units and the Exchangeable Units, the General Partner may not have sufficient assets to honour the indemnity.

RISKS RELATING TO THE BUSINESS CURRENTLY CONDUCTED BY PRECISION

Certain activities of Precision are affected by factors that are beyond its control or influence. The drilling rig, camp and catering, service rig, snubbing, rentals, wastewater treatment and related service businesses and activities of Precision in Canada and the drilling rig, camp and catering and rentals business and activities of Precision in the United States are directly affected by fluctuations in exploration, development and production activity carried on by its customers which, in turn, is dictated by numerous factors including world energy prices and government policies. The addition, elimination or curtailment of government regulations and incentives could have a significant impact on the oil and natural gas business in Canada and the United States. These factors could lead to a decline in the demand for Precision s services, resulting in a material adverse effect on revenues, cash flows, earnings and cash distributions to Unitholders. The majority of Precision s operating costs are variable in nature which minimizes the impact of downturns on Precision s operating results.

Operations Dependent on the Price of Oil and Natural Gas

Precision sells its services to oil and natural gas exploration and production companies. Macro economic and geopolitical factors associated with oil and natural gas supply and demand are prime drivers for pricing and profitability within the oilfield services industry. Generally, when commodity prices are relatively high, demand for Precision s services are high, while the opposite is true when commodity prices are low. The markets for oil and natural gas are separate and distinct. Oil is a global commodity with a vast distribution network. As natural gas is most economically transported in its gaseous state via pipeline, its market is dependent on pipeline infrastructure and is subject to regional supply and demand factors. Recent developments in the transportation of liquefied natural gas (LNG) in ocean going tanker ships have introduced an element of globalization to the natural gas market. However, due to technical, political and environmental challenges and other factors, the volume capability of the world s LNG infrastructure is not expected to be large enough to influence pricing in North American markets for a number of years. Crude oil and natural gas prices are quite volatile, which accounts for much of the cyclical nature of the oilfield services business. Oilfield service business cycles are muted somewhat in non-North American markets where projects tend to be larger and more long-term and are therefore less susceptible to short-term commodity price fluctuations.

Worldwide military, political and economic events, including initiatives by the Organization of Petroleum Exporting Countries and other major petroleum exporting countries, for instance, may affect both the demand for, and the supply of, oil and natural gas. Weather conditions, governmental regulation (both in Canada and elsewhere), levels of consumer demand, the availability of pipeline capacity, and other factors beyond Precision s control may also affect the supply of and demand for oil and natural gas and thus lead to future price volatility. Precision believes that any prolonged reduction in oil and natural gas prices would depress the level of exploration and production activity. This would likely result in a corresponding decline in the demand for Precision s services and could have a material adverse effect on its revenues, cash flows and profitability. Lower oil and natural gas prices could also cause Precision s customers to seek to terminate, renegotiate or fail to honour Precision s drilling contracts which could affect the fair market value of its rig fleet which in turn could trigger a write down for accounting purposes, Precision s ability to retain skilled rig personnel and Precision s ability to obtain access to capital to finance and grow its businesses. There can be no assurance that the future level of demand for Precision s services or future conditions in the oil and natural gas and oilfield services industries will not decline.

Competitive Industry

The oilfield services industry in which Precision operates is, and will continue to be, very competitive. There is no assurance that Precision will be able to continue to compete successfully or that the level of competition and pressure on pricing will not affect its margins.

Workforce Availability

Precision s ability to provide reliable services is dependent upon the availability of well-trained, experienced crews to operate its field equipment. Precision must also balance the requirement to maintain a skilled workforce with the need to establish cost structures that fluctuate with activity levels. Within Precision the most experienced employees are retained during periods of low utilization by having them fill lower level positions on field crews. Precision has established training programs for employees new to the oilfield service sector and works closely with industry associations to ensure competitive compensation levels to attract new workers to the industry as required. Many of Precision s businesses are currently experiencing manpower shortages in peak operating periods. These shortages are likely to be further challenged by the number of rigs being added to the industry along with the entrance and expansion of newly formed oilfield service companies. In the near-term anticipated declines in activity will offset challenges due to rig expansion.

Capital Overbuild in the Drilling Industry

As at December 31, 2007 there were about 900 industry drilling rigs in Canada (up 7% from the prior year) and about 2,160 marketed drilling rigs in the United States. There is no assurance that the level of demand for drilling rigs in the future will be able to support the size of the industry drilling fleets in Canada and the United States. Any decline in demand for drilling services within the service industry, directly or indirectly related to the

current drilling rigs available, could also lead to a decline in the demand for Precision s services, resulting in a material adverse effect on Precision s revenues, cash flows, earnings and distributions to Unitholders.

Business is Seasonal

In Canada, the level of activity in the oilfield service industry is influenced by seasonal weather patterns. During the spring months, wet weather and the spring thaw make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels and placing an increased level of importance on the location of Precision s equipment prior to imposition of the road bans. The timing and length of road bans is dependant upon the weather conditions leading to the spring thaw and the weather conditions during the thawing period. Additionally, certain oil and natural gas producing areas are located in sections of the WCSB that are inaccessible, other than during the winter months, because the ground surrounding or containing the drilling sites in these areas consists of terrain known as muskeg. Until the muskeg freezes, the rigs and other necessary equipment cannot cross the terrain to reach the drilling site. Moreover, once the rigs and other equipment have been moved to a drilling site, they may become stranded or otherwise unable to relocate to another site should the muskeg thaw unexpectedly. Precision s business results depend, at least in part, upon the severity and duration of the Canadian winter.

Tax Consequences of Previous Transactions Completed by Precision

The business and operations of Precision prior to completion of the Plan of Arrangement were complex and Precision has executed a number of significant financings, business combinations, acquisitions and dispositions over the course of its history. The computation of income taxes payable as a result of these transactions involves many complex factors as well as Precision s interpretation of relevant tax legislation and regulations. Precision s management believes that the provision for income tax is adequate and in accordance with generally accepted accounting principles and applicable legislation and regulations. However, there are a number of tax filing positions that can still be the subject of review by taxation authorities who may successfully challenge Precision s interpretation of the applicable tax legislation and regulations, with the result that additional taxes could be payable by Precision and the amount payable before interest and penalties could be up to $300 million. Any increase in Precision s tax liability would reduce the net assets and funds available for distributions to Unitholders.

Subsequent to year end Precision received, from a provincial taxing authority, Notices of Reassessment relating to a prior period tax filing position for $55 million. The income tax related portion of the reassessments is $36 million and is included in the $300 million tax contingency disclosed in the preceding paragraph. Precision is of the opinion that the provincial tax authority s position is without merit and will be challenging these reassessments.

Safety Performance

Standards for the prevention of incidents in the oil and gas industry are governed by service company safety policies and procedures, accepted industry safety practises, customer specific safety requirements, and health and safety legislation. The safety policies and procedures adopted by Precision meet or exceed those imposed by industry, customers or legislation. Precision maintains a safety program which reinforces workplace safety through training, observation and communication. Precision s drilling and well servicing businesses are highly competitive with numerous competitors. A key factor considered by Precision s customers in selecting oilfield service providers is safety. Precision s safety record in North America, backed by the experience of its employees and the quality of its equipment, differentiates Precision from its oilfield service competitors. Deterioration in Precision s safety performance could result in a decline in the demand for Precision s services and could have a material adverse effect on its revenues, cash flows, profitability and funds available for distributions.

New Technology

Complex drilling programs for the exploration and development of remaining conventional and unconventional oil and natural gas reserves in North America demand high performance drilling rigs. The ability of drilling rig service providers to meet this demand will depend on continuous improvement of existing rig technology such as drive systems, control systems, automation, mud systems and top drives to improve drilling efficiency. Precision s ability to deliver equipment and services that are more efficient is critical to continued success. There is no assurance that competitors will not achieve technological improvements which are more advantageous, timely or cost effective than improvements developed by Precision.

Foreign Operations

Precision conducts a portion of its business in the United States and is subject to risks inherent in such operations, such as: terrorist threats; fluctuations in currency and exchange controls; increases in duties and taxes; and changes in laws and policies governing operations. In addition, in the United States jurisdictions in which Precision operates, it is subject to various laws and regulations that govern the operation and taxation of its businesses in such jurisdictions and the imposition, application and interpretation of which laws and regulations can prove to be uncertain. Since Precision derives a portion of its revenues from a United States subsidiary, the payment of dividends or the making of other cash payments or advances by such subsidiaries to Precision may be subject to restrictions or exchange controls on the transfer of funds in or out of the United States or result in the imposition of taxes on such payments or advances. While Precision believes that these risks are reasonable, there is no assurance that United States tax authorities will reach the same conclusion. Further, if United States jurisdictions were to change or modify such laws, Precision could suffer adverse tax and financial consequences.

Capital Expenditures

The timing and amount of capital expenditures by Precision will directly affect the amount of cash available for distribution to Unitholders. The cost of equipment has escalated over the past several years as a result of, among other things, high input costs. There is no assurance that Precision will be able to recover higher capital costs through rate increases to its customers, and in such event, cash distributions may be reduced.

Environmental Legislation

There is growing concern about the apparent connection between the burning of fossil fuels and climate change. The issue of energy and the environment has created intense public debate in Canada and around the world in recent years that is likely to continue for the foreseeable future and could potentially have a significant impact on all aspects of the economy including the demand for hydrocarbons and the resulting lower demand for Precision s services.

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

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

While Precision maintains liability insurance, including insurance for environmental claims, the insurance is subject to coverage limits and certain of Precision s policies exclude coverage for damages resulting from environmental contamination. There can be no assurance that insurance will continue to be available to Precision on commercially reasonable terms, that the possible types of liabilities that may be incurred by Precision will be covered by Precision s insurance, or that the dollar amount of such liabilities will not exceed Precision s policy limits. Even a partially uninsured claim, if successful and of sufficient magnitude, could have a material adverse effect on Precision s business, results of operations, prospects and funds available for distributions. Precision is not aware of any undisclosed material environmental liabilities.

Credit Risk

Precision s accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be impacted by fluctuations in commodity prices. Although collection of these receivables could be influenced by economic factors affecting this industry, management considers the risk of a significant loss due to uncollectible receivables to be remote at this time.

Access to Additional Financing

Precision may find it necessary in the future to obtain additional debt or equity financing through the Trust to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Precision when needed or on terms acceptable to Precision. Precision s inability to raise financing to support ongoing operations or to fund capital expenditures, acquisitions or other business combination transactions could limit Precision s growth and may have a material adverse effect upon Precision.

Customer Merger and Acquisition Activity

Merger and acquisition activity in the oil and natural gas exploration and production sector can impact demand for Precision s services as customers focus on internal reorganization activities prior to committing funds to significant drilling and capital maintenance projects.

Dependence on Third Party Suppliers

Precision sources certain key rig components, raw materials, equipment and component parts from a variety of suppliers located in Canada, the United States and overseas. Precision also outsources some or all services for the construction of drilling and service rigs. While alternate suppliers exist for most of these components, materials, equipment, parts and services, cost increases, delays in delivery due to high activity or other unforeseen circumstances may be experienced. Precision maintains relationships with a number of key suppliers and contractors, maintains an inventory of key components, materials, equipment and parts and orders long lead time components in advance. However, if the current or alternate suppliers are unable to provide or deliver the necessary components, materials, equipment, parts and services, any resulting delays by Precision in the provision of services to its customers may have a material adverse effect on Precision s business, results of operations, prospects and funds available for distributions.

Potential Unknown Liabilities

There may be unknown liabilities assumed by the Trust through its direct and indirect interests in Precision, including those associated with prior acquisitions and dispositions by Precision as well as environmental issues or tax issues. Specifically, Precision has provided certain indemnities to the respective purchasers under the Weatherford Sale Agreement and the CEDA Sale Agreement. The discovery of any material liabilities could have an adverse affect on the financial condition and results of discontinued operations of Precision and, as a result, the amount of cash available for distribution to Unitholders. Precision is not aware of any undisclosed material liabilities.

Currency Exchange Exposure

Precision s operations in the United States have revenue, expenses, assets and liabilities denominated in United States dollars (U.S. dollars). As a result Precision s income statement, balance sheet and statement of cash flow are impacted by changes in exchange rates between Canadian and U.S. currencies in three main aspects.

(a) *Translation of U.S. Currency Assets and Liabilities to Canadian Dollars*

For Precision s integrated operations, non-monetary assets and liabilities are recorded in the financial statements at the exchange rate in effect at the time of the acquisition or expenditure. As a result, the book value of these assets and liabilities are not impacted by changes in exchange rates. Monetary assets and liabilities are converted at the exchange rate in effect at the balance sheet dates, and the unrealized gains and losses are shown on the statements of earnings as Foreign exchange . Precision has a net monetary asset position for its United States operations, which are U.S. dollar based. As a result, if the Canadian dollar strengthens versus the U.S. dollar, Precision will incur a foreign exchange loss from the translation of net monetary assets.

(b) *Translation of U.S. Currency Statement of Earnings Items to Canadian Dollars*

Precision s United States operations generate revenue and incur expenses in U.S. dollars and the U.S. dollar based earnings are converted into Canadian dollars for purposes of financial statement consolidation and reporting. The conversion of the U.S. dollar based revenue and expenses to a Canadian dollar basis does not result in a foreign exchange gain or loss but does result in lower or higher net earnings from United States operations than would have occurred had the exchange rate not changed. If the Canadian dollar strengthens versus the U.S. dollar, the Canadian dollar equivalent of net earnings from United States will be negatively impacted. Precision does not currently hedge any of its exposure related to the translation of U.S. dollar based earnings into Canadian dollars.

(c) *Transaction Exposure*

The majority of Precision s United States operations are transacted in U.S. dollars. Transactions for Precision s Canadian operations are primarily transacted in Canadian dollars. However, Precision occasionally purchases goods and supplies in U.S. dollars. These transactions and foreign exchange exposure would not typically have a material impact on the Canadian operations financial results.

Business Interruption and Casualty Losses

Precision s operations are subject to many hazards inherent in the drilling, workover and well servicing industries, including blowouts, cratering, explosions, fires, loss of well control, loss of hole, damaged or lost drilling equipment and damage or loss from inclement weather or natural disasters. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage and damage to the property of others. Generally, drilling and service rig contracts provide for the division of responsibilities between a drilling or service rig company and its customer, and Precision seeks to obtain indemnification from its customers by contract for certain of these risks. To the extent that Precision is unable to transfer such risks to customers by contract or indemnification agreements, Precision seeks protection through insurance. However, Precision cannot ensure that such insurance or indemnification agreements will adequately protect it against liability from all of the consequences of the hazards described above. The occurrence of an event not fully insured or indemnified against, or the failure of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses. In addition, insurance may not be available to cover any or all of these risks, or, even if available, may not be adequate. Insurance premiums or other costs may rise significantly in the future, so as to make such insurance prohibitively expensive or uneconomic. This is particularly of concern in the wake of the September 11, 2001 terrorist attacks in the United States and the severe hurricane damage in the United States Gulf Coast region in 2005, both of which have resulted in significantly increased insurance costs, deductibles and coverage restrictions. In future insurance renewals, Precision may choose to increase its self insurance retentions (and thus assume a greater degree of risk) in order to reduce costs associated with increased insurance premiums.

RECORD OF CASH DISTRIBUTIONS/PAYMENTS

The following table sets forth the distributions in Canadian dollars paid or declared payable by the Trust on each Trust Unit since the completion of the Plan of Arrangement:

Distribution Type	Record Date	Payment Date	Amount per Trust Unit
2005			
Regular Distribution	November 30, 2005	December 15, 2005	$0.270
Regular Distribution	December 31, 2005	January 17, 2006	$0.270
Special Distribution	December 31, 2005	January 17, 2006	$0.022
2006			
Regular Distribution	January 31, 2006	February 15, 2006	$0.270
Regular Distribution	February 28, 2006	March 15, 2006	$0.270
Regular Distribution	March 31, 2006	April 18, 2006	$0.270
Regular Distribution	April 28, 2006	May 16, 2006	$0.270
Regular Distribution	May 31, 2006	June 15, 2006	$0.310
Regular Distribution	June 30, 2006	July 18, 2006	$0.310
Regular Distribution	July 31, 2006	August 15, 2006	$0.310
Regular Distribution	August 31, 2006	September 15, 2006	$0.310
Regular Distribution	September 29, 2006	October 17, 2006	$0.310
Regular Distribution	October 31, 2006	November 15, 2006	$0.310
Regular Distribution	November 30, 2006	December 15, 2006	$0.310
Regular Distribution	December 31, 2006	January 16, 2007	$0.310
Special Year-end in-kind Distribution(1)	December 31, 2006	January 16, 2007	$0.195
2007			
Regular Distribution	January 31, 2007	February 15, 2007	$0.190
Regular Distribution	February 28, 2007	March 15, 2007	$0.190
Regular Distribution	March 30, 2007	April 17, 2007	$0.190
Regular Distribution	April 30, 2007	May 15, 2007	$0.190
Regular Distribution	May 31, 2007	June 15, 2007	$0.130
Regular Distribution	June 29, 2007	July 17, 2007	$0.130
Regular Distribution	July 31, 2007	August 15, 2007	$0.130
Regular Distribution	August 31, 2007	September 18, 2007	$0.130
Regular Distribution	September 28, 2007	October 16, 2007	$0.130
Regular Distribution	October 31, 2007	November 15, 2007	$0.130
Regular Distribution	November 30, 2007	December 18, 2007	$0.130
Regular Distribution	December 31, 2007	January 15, 2008	$0.130
Special Year-end in cash Distribution	December 31, 2007	January 15, 2008	$0.160
Special Year-end in-kind Distribution(1)	December 31, 2007	January 15, 2008	$0.240
2008			
Regular Distribution	January 31, 2008	February 15, 2008	$0.130
Regular Distribution	February 29, 2008	March 18, 2008	$0.130
Regular Distribution	March 31, 2008	April 15, 2008	$0.130

NOTE:

(1) Immediately after the in-kind special year-end distribution, the

outstanding trust units of the Trust were consolidated so that the number of trust units remained unchanged from the number outstanding prior to the in-kind special year-end distribution. Trust Unitholders did not receive cash and ultimately did not receive additional units of the Trust as part of the consolidation process.

The following table sets forth the amount of payments in Canadian dollars paid or payable on each Exchangeable Unit since the completion of the Plan of Arrangement:

Payment Type	**Record Date**	**Payment Date**	**Amount per Exchangeable Unit**
2005			
Regular Payment	November 30, 2005	December 15, 2005	$0.270
Regular Payment	December 31, 2005	January 17, 2006	$0.270
Special Payment	December 31, 2005	January 17, 2006	$0.022
2006			
Regular Payment	January 31, 2006	February 15, 2006	$0.270
Regular Payment	February 28, 2006	March 15, 2006	$0.270
Regular Payment	March 31, 2006	April 18, 2006	$0.270
Regular Payment	April 28, 2006	May 16, 2006	$0.270
Regular Payment	May 31, 2006	June 15, 2006	$0.310
Regular Payment	June 30, 2006	July 18, 2006	$0.310
Regular Payment	July 31, 2006	August 15, 2006	$0.310
Regular Payment	August 31, 2006	September 15, 2006	$0.310
Regular Payment	September 29, 2006	October 17, 2006	$0.310
Regular Payment	October 31, 2006	November 15, 2006	$0.310
Regular Payment	November 30, 2006	December 15, 2006	$0.310
Regular Payment	December 31, 2006	January 16, 2007	$0.310
Special Year-end in-kind Payment(1)	December 31, 2006	January 16, 2007	$0.195
2007			
Regular Payment	January 31, 2007	February 15, 2007	$0.190
Regular Payment	February 28, 2007	March 15, 2007	$0.190
Regular Payment	March 30, 2007	April 17, 2007	$0.190
Regular Payment	April 30, 2007	May 15, 2007	$0.190
Regular Payment	May 31, 2007	June 15, 2007	$0.130
Regular Payment	June 29, 2007	July 17, 2007	$0.130
Regular Payment	July 31, 2007	August 15, 2007	$0.130
Regular Payment	August 31, 2007	September 18, 2007	$0.130
Regular Payment	September 28, 2007	October 16, 2007	$0.130
Regular Payment	October 31, 2007	November 15, 2007	$0.130
Regular Payment	November 30, 2007	December 18, 2007	$0.130
Regular Payment	December 31, 2007	January 15, 2008	$0.130
Special Year-end in cash Payment	December 31, 2007	January 15, 2008	$0.160
Special Year-end in-kind Payment(1)	December 31, 2007	January 15, 2008	$0.240
2008			
Regular Payment	January 31, 2008	February 15, 2008	$0.130
Regular Payment	February 29, 2008	March 18, 2008	$0.130
Regular Payment	March 31, 2008	April 15, 2008	$0.130

NOTE:

(1) Immediately after the in-kind special year-end distribution, the

outstanding trust units of the Trust were consolidated so that the number of trust units remained unchanged from the number outstanding prior to the in-kind special year-end distribution. Trust Unitholders did not receive cash and ultimately did not receive additional units of the Trust as part of the consolidation process. Holders of Exchangeable Units of PDLP received the economic equivalent treatment.

Historical distributions and payments may not be reflective of future distribution and payments, which will be subject to review by the Board of Trustees taking into account the prevailing financial circumstances of the Trust at the relevant time. The declaration of distributions and the method of settlement (cash or in-kind) are within the discretion of the Board of Trustees.

The current distribution policy of the Trust is described under *General Development of the Business Cash Distributions on Trust Units* on page 7 of this Annual Information Form. There is currently no intended change in the distribution policy. There are no restrictions on the Trust from paying distributions except as may be described under *Risk Factors The Trust* commencing on page 18 of this Annual Information Form.

DESCRIPTION OF CAPITAL

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

Trust Units

An unlimited number of Trust Units may be created and issued pursuant to the Declaration of Trust. Each Trust Unit entitles the holder thereof to one vote at any meeting of Trust Unit holders, or in respect of any written resolution of Trust Unit holders, and represents an equal undivided beneficial interest in any distribution from the Trust (whether from income, net realized capital gains or other amounts) and in any net assets of the Trust in the event of termination or winding up of the Trust. All Trust Units shall rank among themselves equally and rateably without discrimination, preference or priority whatsoever. Each Trust Unit is transferable, is not subject to any conversion or pre-emptive rights and entitles the holder thereof to require the Trust to redeem any or all of the Trust Units held by such holder.

Special Voting Unit

Pursuant to the provisions of the Declaration of Trust a Special Voting Unit was issued to Computershare Trust Company of Canada, as the initial trustee (the Voting and Exchange Trustee) under a Voting and Exchange Trust Agreement, which allows the Special Voting Unit to be voted by the Voting and Exchange Trustee for and on behalf of the holders of Exchangeable Units. The Voting and Exchange Trustee is only entitled to the number of votes at meetings of Trust Unit holders which is equal to the number of Exchangeable Units registered and outstanding on the record date in respect of each meeting. The Voting and Exchange Trustee will be obligated to vote the Special Voting Unit at meetings of Trust Unit holders pursuant to instructions of the holders of Exchangeable Units. However, if no instructions are provided by holders of Exchangeable Units, the votes associated therewith in the Special Voting Unit will be withheld from voting.

For a more complete description of the Trust Units and the Special Voting Unit please refer to pages 57 to 63 of the 2005 Special Meeting Information Circular under the heading *Declaration of Trust and Description of Units* which are incorporated by reference into this Annual Information Form.

Precision Drilling Limited Partnership

As a result of the Plan of Arrangement, PDLP issued 122,512,799 Class A Limited Partnership Units to the Trust on November 7, 2005 (the effective date of the reorganization of the business of Precision into the Trust). An additional 1,840,122 Class A Limited Partnership Units were issued between November 7 and November 22, 2005 inclusive (the last date on which holders of New Options could exercise their options pursuant to the Plan of Arrangement). As of December 31, 2007 there were 125,587,919 Class A Limited Partnership Units issued to the Trust. As of March 25, 2008 there were 125,588,717 Class A Limited Partnership Units issued to the Trust.

Also, as part of the Plan of Arrangement, PDLP issued 1,108,382 Exchangeable Units to certain shareholders of Precision who elected to receive such Exchangeable Units instead of Trust Units. As of

December 31, 2007 a total of 170,005 Exchangeable Units remained outstanding. As of March 25, 2008 a total of 169,207 Exchangeable Units remained outstanding. The Exchangeable Units have the economic equivalence of the Trust Units and the principal terms of the Exchangeable Units are:

- they are exchangeable for Trust Units on a one-for-one basis at the option of the holder;

- each Exchangeable Unit entitles the holder thereof to receive (in the form of a non-interest bearing loan) cash payments equal to cash distributions made by the Trust on a Trust Unit (and at the beginning of the next calendar year a special distribution will be made on each Exchangeable Unit in an amount equal to the outstanding non-interest bearing loan accumulated during the previous year which will be used to repay such accumulated debt);

- the holder of each Exchangeable Unit is entitled to direct the Voting and Exchange Trustee to vote the Special Voting Unit at all meetings of Trust Unit holders;

- the holders of Exchangeable Units are not entitled, as such, to receive notice of or to attend any meeting of the partners of PDLP or to vote at any such meeting, however, such holders of Exchangeable Units are entitled to vote separately as a class in respect of proposals to add to, change or remove any right, privilege, restriction or condition attaching to the Exchangeable Units or in respect of any other amendment to the applicable Partnership Agreement which would have an adverse impact on the holders of such Exchangeable Units; and

- there are certain restrictions on the transfer of Exchangeable Units.

A more detailed description of the attributes and restrictions associated with Exchangeable Units is provided on pages 68 through 73 and Appendix D of the 2005 Special Meeting Information Circular and the applicable portions of those pages and that Appendix D are incorporated by reference into this Annual Information Form.

In addition to the foregoing, on November 7, 2005 the Trust, PDLP, the General Partner and Precision entered into a support agreement (the Support Agreement) which requires the Trust or its affiliates to take all actions and do all things as are reasonably necessary or desirable to enable and permit PDLP to meet all of its obligations with respect to the Exchangeable Units and such agreement also provides that the Trust will not, without the prior approval of PDLP and holders of Exchangeable Units:

- issue or distribute Trust Units to the holders of all, or substantially all, of the then outstanding Trust Units by way of distribution; or

- issue or distribute rights, options or warrants to the holders of all, or substantially all, of the then outstanding Trust Units entitling them to subscribe for or purchase Trust Units (or securities exchangeable for or converting into or carrying rights to acquire Trust Units); or

- issue or distribute to the holders of all, or substantially all, of the then outstanding Trust Units;
  - securities of the Trust or any class other than Trust Units (other than securities exchangeable for or converting into or carrying rights to acquire Trust Units);

  - rights, options or warrants other than those described in the second bullet above; or

  - evidences of indebtedness of the Trust; or

  - other assets of the Trust.

unless the economic equivalent on a per Exchangeable Unit basis of such rights, options, warrants, securities, shares, evidences of indebtedness or other assets is issued or loaned simultaneously to the holders of Exchangeable Units.

A more complete description of the Support Agreement is set forth on pages 74 and 75 of the 2005 Special Meeting Information Circular under the heading Support Agreement which is incorporated by reference into this Annual Information Form.

The General Partner

The General Partner of PDLP is a direct wholly-owned subsidiary of the Trust. The General Partner is the managing partner of PDLP and has the exclusive authority to manage the business and affairs of PDLP, to make all decisions regarding the business of PDLP and to bind PDLP.

MARKET FOR SECURITIES

TRADING PRICE AND VOLUME OF TRUST UNITS

The Trust Units were listed for trading on the Toronto Stock Exchange (the TSX) and the New York Stock Exchange (the NYSE) on November 7, 2005, the date the reorganization of the business of Precision into an income trust became effective. The Trust Units trade under the trading symbols PD.UN on the TSX and under the trading symbol PDS on the NYSE. The following tables set forth the monthly and quarterly price range and volume traded for the Trust Units on the TSX and NYSE from January 2007 to March 25, 2008.

TSX PD.UN(1)

(In Canadian dollars, except volume traded amounts)

Period	High	Low	Close	Volume Traded
January	28.30	25.30	26.50	9,384,691
February	27.90	24.60	27.43	10,003,698
March	27.50	25.31	26.37	10,864,946
Q1 2007	**28.30**	**24.60**	**26.37**	**30,253,335**
April	29.75	26.15	26.58	10,421,263
May	30.93	26.50	27.39	14,668,754
June	28.19	25.62	26.00	14,561,328
Q2 2007	**30.93**	**25.62**	**26.00**	**39,651,345**
July	26.87	20.85	21.32	14,254,162
August	21.75	18.57	20.53	11,051,188
September	20.78	18.33	19.07	9,102,062
Q3 2007	**26.87**	**18.33**	**19.07**	**34,407,412**
October	19.54	17.06	17.22	15,286,205
November	17.50	15.07	16.00	12,976,122
December	16.35	14.82	15.09	12,960,850
Q4 2007	**19.54**	**14.82**	**15.09**	**41,223,177**
January	18.01	15.13	17.31	11,591,630
February	22.53	17.15	21.85	15,377,467
March(2)	22.25	19.61	22.22	7,274,505
Q1 2008	**22.53**	**15.13**	**22.22**	**34,243,602**

NOTES:

(1) Price and volume information is taken from the website maintained by the TSX.

(2) For the period from March 1, 2008 to March 25, 2008.

NYSE PDS[1]
(In U.S. dollars, except volume traded amounts)

Period	High	Low	Close	Volume Traded
January	24.12	21.50	22.59	20,949,100
February	24.02	21.06	23.41	13,976,307
March	23.74	21.71	22.85	18,068,539
Q1 2007	**24.12**	**21.06**	**22.85**	**52,993,946**
April	26.30	22.60	24.07	16,440,258
May	27.89	23.92	25.67	22,360,450
June	26.50	24.11	24.45	10,273,271
Q2 2007	**27.89**	**22.60**	**24.45**	**49,073,979**
July	25.45	19.57	19.82	13,278,093
August	20.33	17.25	19.45	11,444,618
September	20.00	18.50	19.15	9,084,637
Q3 2007	**25.45**	**17.25**	**19.15**	**33,807,348**
October	19.65	17.42	18.24	14,684,534
November	18.49	15.65	15.95	13,801,832
December	16.15	14.91	15.17	10,418,470
Q4 2007	**19.65**	**14.91**	**15.17**	**38,904,836**
January	17.70	15.15	17.25	10,815,429
February	22.91	17.10	22.45	12,326,070
March[2]	22.46	19.46	20.59	11,467,197
Q1 2008	**22.91**	**15.15**	**20.59**	**34,608,696**

NOTES:

(1) Price and volume information is taken from the website maintained by the NYSE.

(2) For the period from March 1, 2008 to March 25, 2008.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of the Board of Trustees and Precision s board of directors (the Board of Directors and each a Director), no securities of the Trust are held in escrow or are subject to any contractual restrictions on transfer.

TRUSTEES, DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth, for each Trustee of the Trust and Director and officer of Precision: his name; municipality, province or state and country of residence; all positions and offices now held by him; the month and year in which he was first elected a Director or officer; and his principal occupation during the preceding five years.

Name, Municipality, Province or State & Country of Residence	Position Presently Held	Director/Officer Since[1]	Principal Occupation During the Preceding 5 Years
W.C. (Mickey) Dunn[3][4] Edmonton, Alberta, Canada	Director	September 1992	Chairman, True Energy Trust.
Brian A. Felesky, CM, Q.C.[4] Calgary, Alberta, Canada	Director	December 2005	Counsel, Felesky Flynn LLP. From April 1978 through July 2006, Partner at Felesky Flynn LLP.
Robert J.S. Gibson[2][4] Calgary, Alberta, Canada	Trustee Director	June 1996	President, Stuart & Company Limited.
Allen R. Hagerman, FCA[2] Calgary, Alberta, Canada	Director	December 2006	Executive Vice President, Canadian Oil Sands; Chief Financial Officer, Canadian Oil Sands Limited 2003 2007; Chief Financial Officer, Fording Canadian Coal Trust 2002 2003.
Stephen J.J. Letwin[3] Houston, Texas, USA	Director	December 2006	Managing Director, Enbridge Energy Partners and Executive Vice President, Gas Transportation & International, Enbridge Inc. since May 2006; Group Vice President, Gas Strategy & Corporate Development, Enbridge Inc., April 2003 to May 2006; Group Vice President, Distribution & Services, Enbridge Inc., September 2000 to April 2003.
Patrick M. Murray[2] Dallas, Texas, USA	Trustee Director	July 2002	Corporate Director; Chairman and Chief Executive Officer, Dresser Inc. from 2001 until retiring in May 2007.
Frederick W. Pheasey[3] Edmonton, Alberta, Canada	Director	July 2002	Director of Dreco Energy Services Ltd.
Robert L. Phillips[3][4] Vancouver, British Columbia, Canada	Director Chairman	May 2004	Corporate Director; President and Chief Executive Officer, BCR Group of Companies 2001-2004.
Kevin A. Neveu Calgary, Alberta, Canada	Chief Executive Officer Director	August 2007	Chief Executive Officer, Precision Drilling Corporation since August 2007; President, Rig Solutions Group, National Oilwell Varco 2002 to 2007.
Gene C. Stahl Calgary, Alberta, Canada	President & Chief	November 2005	President & Chief Operating Officer, Precision Drilling Corporation since 2005;

	Operating Officer		Vice President, Precision Rentals 2003-2005; General Manager, Ducharme Rentals/Big D Rentals 2002-2003.
Douglas J. Strong Calgary, Alberta, Canada	Chief Financial Officer	November 2005	Chief Financial Officer, Precision Drilling Corporation since 2005; Chief Financial Officer, Precision Diversified Services Ltd. 2001-2005, Group Controller, Precision Drilling 2001-2005.
Darren J. Ruhr Calgary, Alberta, Canada	Vice President, Corporate Services & Corporate Secretary	November 2005	Vice President, Corporate Services & Corporate Secretary, Precision Drilling Corporation since 2005; Director, Information Technology, Real Estate & Travel, Precision Drilling Corporation 2003-2005; Director, Information Technology, Precision Drilling Corporation 2000-2003.
Kenneth J. Haddad Houston, Texas, USA	Vice President, Business Development	March 2008	Vice President, Business Development, Precision Drilling Corporation since March 2008; Director, Mergers and Acquisitions, Halliburton Company 2002-2008.

NOTES:

(1) Each Director s term of office expires not later than the close of business at the next annual meeting, or until successors are appointed or Directors vacate their office.

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee.

(4) Member of the Corporate Governance and Nominating Committee.

At March 25, 2008 the Trustees, the Directors and officers of Precision, as a group, beneficially owned, directly or indirectly, or controlled or directed over 336,871 Trust Units and nil Exchangeable Units or approximately 0.27% of the issued and outstanding Trust Units and Exchangeable Units, which aggregate number of owned or controlled Trust Units includes a total of 18,280 Trust Units credited to accounts of non-management Directors of Precision pursuant to a deferred trust unit plan approved in 2007. Please refer to the 2007 notice of annual and special meeting and information circular dated April 4, 2007 filed under the SEDAR profile for Precision available at www.sedar.com.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

No Trustee, Director or officer of Precision is, as at the date hererof, or was within the last 10 years, a director, chief executive officer or chief financial officer of any company (including Precision), that: (a) was subject to an order that was issued while the Trustee, Director or officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an order that was issued after the Trustee, Director or officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of the above, order means: (a) a cease trade order; (b) an order similar to a cease trade order; or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 days and includes a management cease trade order for these purposes.

No Trustee, Director or officer of Precision, or a Unitholder holding a sufficient number of securities to affect materially the control of Precision: (a) is, as at the date hereof, or has been within the last 10 years, a director or executive officer of any company (including Precision) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the last 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceeding, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No Trustee, Director or officer of Precision, or a Unitholder holding a sufficient number of securities to affect materially the control of Precision, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; (b) or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Audit Committee Charter and Terms of Reference (the Audit Committee Charter) of Precision is set forth in Appendix 1 of this Annual Information Form.

Composition of the Audit Committee

The Audit Committee of Precision currently consists of Patrick M. Murray (Chairman), Allen R. Hagerman and Robert J.S. Gibson. The Audit Committee is a standing committee appointed by the Board of Directors to assist the Board of Directors in fulfilling its oversight responsibilities with respect to financial reporting by Precision and the Trust, in its own capacity and in its capacity as the administrator of the Trust. Each member of the Audit Committee is independent and none received, directly or indirectly, any compensation from Precision or the Trust other than for services as a member of the Board of Trustees of the Trust or the Board of Directors of Precision and its committees. All members of the Audit Committee are financially literate as defined in Multilateral Instrument 52-110 (4.1) *Audit Committees*. In addition, the Board of Directors has determined that each of Messrs. Murray and Hagerman qualify as audit committee financial experts as that term is defined under the United States *Sarbanes-Oxley Act of 2002*.

Relevant Education and Experience

In addition to each member s general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member are as follows: Patrick M. Murray (Chair) is the retired Chairman, President and Chief Executive Officer of Dresser, Inc. Mr. Murray received a B.Sc. degree in Accounting in 1964 from Seton Hall University and an MBA in 1973. Mr.

Murray has been a member of Precision s Audit Committee since April 2003. Mr. Hagerman is the Executive Vice President, Canadian Oil Sands and was Chief Financial Officer of Canadian Oil Sands Limited from 2003 to 2007. Mr. Hagerman received a B. Comm. from the University of Alberta in 1973, his Chartered Accountant designation in 1975 and his FCA designation in 1996 from the Institute of Chartered Accountants of Alberta. Mr. Hagerman also received an MBA from the Harvard School of Business in 1977. Mr. Gibson is the President of Stuart & Company Limited and has been a member of the Audit Committee since June 1997.

Pre-approval Policies and Procedures

Under the Audit Committee Charter, the Audit Committee is required to approve the terms of the engagement and the compensation to be paid to the external auditor of the Trust. In addition, the Audit Committee is required to review and pre-approve all permitted non-audit services to be provided to the Trust or any affiliated entities by the external auditors or any of their affiliates subject to any *de minimus* exception allowed by applicable law. The Audit Committee may delegate to one or more designated members of the Audit Committee the authority to pre-approve non-audit services. Non-audit services that have been pre-approved by any such delegate must be presented to the Audit Committee at its first scheduled meeting following such pre-approval.

The Audit Committee implemented specific procedures regarding the pre-approval of services to be provided by Precision s external auditor commencing in 2003. These procedures specify certain prohibited services that are not to be performed by the external auditor. In addition, these procedures require that at least annually, prior to the period in which the services are proposed to be provided, Precision s management will, in conjunction with the Trust s external auditor, prepare and submit to the Audit Committee a complete list of all proposed services to be provided to Precision and the Trust by the external auditor. Under the Audit Committee pre-approval procedures, for those services proposed to be provided by the external auditor that have not been previously approved by the Audit Committee, the Chairman of the Audit Committee has the authority to grant pre-approvals of such services. The decision to pre-approve a service covered under this procedure is required to be presented to the full Audit Committee at the next scheduled meeting. At each of the Audit Committee s regular meetings, the Audit Committee is to be provided with an update as to the status of services previously pre-approved.

Pursuant to these procedures, since their implementation in 2003, 100% of each of the services provided by the Trust s external auditor relating to the fees reported as audit, audit-related, tax and all other fees were pre-approved by the Audit Committee or its delegate.

Audit Fees

The following table provides information about fees billed to the Trust and its affiliates for professional services rendered by KPMG LLP, the Trust s external auditor, during fiscal 2007 and 2006:

(in thousands CDN$)

Years ended December 31,	**2007**	**2006**
Audit fees	$ 990	$ 1,813
Audit-related fees		
Tax fees	73	579
All other fees		
Total	**$ 1,063**	**$ 2,392**

Audit fees consist of fees for the audit of the Trust s annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements and include fees related to Sarbanes-Oxley section 404 compliance. The decrease in audit fees from 2006 to 2007 was primarily due to a reduction in fees for audit of the 2007 financial statements and internal controls over financial reporting.

Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Trust s financial statements and are not reported as audit fees. There were no such fees incurred in 2006 or 2007.

Tax fees consist of fees for tax compliance services, tax advice and tax planning. During fiscal 2007 and 2006 the services provided in this category included assistance and advice in relation to the preparation of income tax returns for the Trust and its subsidiaries, tax advice and planning, commodity tax and property tax consultation.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

None of the Trust, PDLP or Precision is involved in any legal proceedings that it believes might have a material adverse effect on its business or results of operations of any of the Trust, PDLP or Precision.

During the course of the year ended December 31, 2007 none of the Trust, PDLP or Precision has been subject to any penalties or sanctions imposed by a court in relation to securities legislation or by securities regulatory authority, has not been the subject of any other penalties or sanctions imposed by a court or regulatory authority and has not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of the Trustees, Directors and executive officers of Precision, any Unitholder who beneficially owns more than 10% of the outstanding Trust Units or Exchangeable Units, or any known associate or affiliate of such persons, in any transaction within the last fiscal year and in any proposed transaction which has materially affected or is reasonably expected to materially affect the Trust, PDLP or Precision.

TRANSFER AGENT, REGISTRAR AND VOTING AND EXCHANGE TRUSTEE

Computershare Trust Company of Canada, located in Calgary, Alberta, is the transfer agent and registrar of the Trust Units and the Special Voting and Exchange Trustee for the holders of Exchangeable Units. In the United States, the co-transfer agent for the Trust is Computershare Trust Company, Inc. located in New York, New York.

MATERIAL CONTRACTS

The only material contracts entered into by Precision, the Trust or PDLP during the most recently completed financial year, or before the most recently completed financial year that are still in effect, other than contracts entered into during the ordinary course of business and required to be filed pursuant to National Instrument 51-102, *Continuous Disclosure Obligations*, are as follows:

1. Weatherford Sale Agreement;
2. CEDA Sale Agreement;
3. Declaration of Trust;
4. Limited Partnership Agreement;
5. Voting and Exchange Trust Agreement;
6. Support Agreement; and
7. Administration Agreement.

For a description of the above material contracts see disclosure under the heading Corporate Structure , General Development of the Business , Risk Factors and Description of Capital . Copies of the material agreements described as 1 and 2 above have been filed by Precision and the remainder of the material agreements described above have been filed by the Trust on SEDAR and are available online at www.sedar.com.

INTERESTS OF EXPERTS

KPMG LLP, the Trust s external auditor, has prepared an opinion with respect to the Trust s consolidated financial statements as at and for the year ended December 31, 2007. In connection with the audit of the Trust s annual financial statements for the year ended December 31, 2007 the auditors confirmed that they are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the fiscal year ended December 31, 2007 an evaluation of the effectiveness of the Trust s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the United States *Securities Exchange Act of 1934*, as amended (the Exchange Act)) was carried out by the Trust s management with the participation of the principal executive officer and principal financial and accounting officer of Precision on behalf of the Trust. Based upon that evaluation, the principal executive officer and the principal financial and accounting officer of Precision have concluded that as of the end of that fiscal year, the Trust s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Trust in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and is accumulated and communicated to the Trust s management, including the principal executive officer and principal financial and accounting officer of Precision, to allow timely decisions regarding required disclosure.

It should be noted that while Precision s principal executive officer and principal financial and accounting officer believe that the Trust s disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the Trust s disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the fiscal year ended December 31, 2007 there were no changes in the Trust s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Trust s internal control over financial reporting.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management s Discussion and Analysis relating to the consolidated financial statements for the fiscal year ended December 31, 2007 forms part of the Trust s 2007 Annual Report and is incorporated by reference in this Annual Information Form. Management s Discussion and Analysis appears on pages 1 to 38 of the 2007 Annual Report.

ADDITIONAL INFORMATION

Additional information concerning the Trust is available through the Internet on SEDAR which may be accessed at www.sedar.com. Copies of such information may also be obtained without charge, on the Trust s website at www.precisiondrilling.com or by request to the Vice President, Corporate Services and Corporate Secretary, at the offices of Precision at 4200, 150 6th Avenue S.W., Calgary, Alberta, Canada T2P 3Y7; by email at corporatesecretary@precisiondrilling.com; by telephone at (403) 716-4500; and by facsimile at (403) 264-0251.

Additional information, including information regarding Precision s Directors and officers remuneration, will be contained in the Management Information Circular of the Trust provided for the Annual Meeting of Unitholders of the Trust to be held on May 7, 2008 to be filed on SEDAR. Additional financial information is provided in the Trust s annual consolidated financial statements and management s discussion and analysis for the year ended December 31, 2007 which are contained in the Annual Report. Copies of such documents may be obtained in the manner set forth above.

Appendix 1
PRECISION DRILLING CORPORATION
AUDIT COMMITTEE
CHARTER AND TERMS OF REFERENCE

General

The purpose of this document is to establish the terms of reference of the Audit Committee (the Committee) of Precision Drilling Corporation (the Corporation). The Committee is a standing committee of the Board of Directors of the Corporation (the Board of Directors) appointed to assist the Board of Directors in fulfilling its oversight responsibilities with respect to financial reporting by the Corporation, in its own capacity and as the administrator for Precision Drilling Trust (the Trust).

It is critical that the external audit function, a mechanism that promotes reliable, accurate and clear financial reporting to unitholders of the Trust, is working effectively and efficiently, and that financial information is being relayed to the Board of Directors, and ultimately by the Board of Directors to the Board of Trustees (the Board of Trustees) of the Trust, in a timely fashion. The activities of the Committee are fundamental to the process.

The requirement to have an audit committee is established in the *Business Corporations Act* (Alberta) and, in addition, is required pursuant to the *Securities Act* (Alberta) and the United States *Securities Exchange Act of 1934* for issuers listed on the New York Stock Exchange (the NYSE).

Committee Structure and Authority

(a) Composition

The Committee shall consist of no fewer than three members, at least a majority of whom must be resident Canadians. Each member of the Committee shall be independent under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the units of the Trust are listed for trading.

Each member of the Committee must be financially literate as such term is interpreted by the Board of Directors in its business judgment in light of, and in accordance with, the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Trust s units are listed for trading. At least one of the members of the Committee must also have accounting or related management financial expertise as such term is defined from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Trust s units are listed for trading.

No Committee member shall serve on the audit committees of more than three other issuers without prior determination by the Board of Directors that such simultaneous service would not impair the ability of such member to serve effectively on the Committee.

(b) Appointment and Replacement of Committee Members

Each member of the Committee shall serve at the pleasure of the Board of Directors. Any member of the Committee may be removed or replaced at any time by the Board of Directors, and shall automatically cease to be a member of the Committee upon ceasing to be a director of the Corporation. The Board of Directors may fill vacancies on the Committee by appointment from among its number. The Board of Directors shall fill any vacancy if the membership of the Committee is less than three directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all their power so long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be appointed by the Board of Directors annually and each member of the

Committee shall hold office until the next annual meeting of the unitholders of the Trust after his or her election or until his or her successor shall be duly qualified and appointed.

(c) Quorum

The Committee shall have a quorum of not less than a majority of its members.

(d) Review of Charter and Terms of Reference

The Committee shall review and reassess the adequacy of this Charter and Terms of Reference at least annually and otherwise as it deems appropriate, and recommend changes to the Board of Directors. The Committee shall evaluate its performance with reference to this Charter and Terms of Reference annually. The Committee will approve the form of disclosure of this Charter and Terms of Reference on the Trust s website and, where required by applicable securities laws or regulatory requirements, in the annual management information circular or annual report of the Trust.

(e) Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee s responsibilities that lawfully may be delegated.

(f) Reporting to the Board of Directors

The Committee will report through the Chair of the Committee to the Board of Directors following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter and Terms of Reference.

(g) Committee Chair Responsibilities

The Board of Directors shall appoint a Chair of the Committee. The primary responsibility of the Chair of the Committee is to provide leadership to the Committee to enhance its effectiveness. In such capacity, the Chair of the Committee will perform the duties and responsibilities set forth in the Position Description for the Audit Committee Chair .

(h) Other Authority

The Committee may request any officer or employee of the Corporation, or the Corporation s or the Trust s legal counsel, or any external or internal auditors to attend a meeting of the Committee or to meet with any members of, or consultants to the Committee. The Committee shall also have the authority to communicate directly with the internal auditor and external auditor.

The Committee may retain special legal, accounting, financial or other consultants to advise the Committee at the Corporation s expense.

Purpose

The Committee shall have responsibility for overseeing the development and maintenance of the Corporation s and the Trust s systems for financial reporting. Responsibility for accounting for transactions and internal control over financial reporting lies with senior management of the Corporation with oversight responsibilities vested in the Board of Directors. The Committee is a permanent committee of the Board of Directors whose purpose is to assist the Board of Directors by overseeing:

- the integrity of financial reporting to the holders of units of the Trust (Unitholders) and the investment community;

the integrity of the financial reporting process, including the audit process;

the Corporation s and the Trust s compliance with legal and regulatory requirements as they relate to financial reporting matters;

the external auditor s qualifications and independence;

the integrity of the system of internal accounting and financial reporting controls implemented by management;

the work and performance of the Corporation s and the Trust s financial management, internal audit function and its external auditor; and

any other matter specifically delegated to the Committee by the Board of Directors.

Committee Responsibilities

The Committee shall:

review the interim and annual financial statements of the Corporation and make any comments or recommendations to the Board of Directors or where authorized by the Board of Directors, approve the interim financial statements;

review the annual financial statements of the Trust and related notes and management s discussion and analysis (MD&A) components and make recommendations to the Board of Directors, and ultimately, once approved by the Board of Directors, to the Board of Trustees, for their approval;

review the interim financial statements of the Trust and related notes and MD&A components prepared for distribution to the Unitholders and the investment community;

be satisfied that adequate procedures are in place for the review of the Trust s public disclosure of financial information extracted or derived from the Trust s financial statements, other than the public disclosure referred to above, and must periodically assess the adequacy of those procedures;

report, through the Chair of the Committee, to the Board of Directors following each meeting of the Committee, including an outline of the nature of discussions, major decisions reached by the Committee, and its activities and compliance with this Charter and Terms of Reference;

approve the terms of the external auditor s engagement letter as agreed between the external auditor and financial management of the Corporation, and the compensation to be paid by the Corporation to the external auditor;

review the reasons for any proposed change in the external auditor which is not initiated by the Committee or the Board of Directors and any other significant issues related to the change, including the response of the incumbent external auditor, and enquire as to the qualifications of the proposed external auditor before making its recommendations to the Board of Directors;

be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor s report or performing other audit or review services for the Corporation or the Trust, including the resolution of disagreements between management and the external auditor regarding financial reporting or the application of any accounting principles or practices;

require the external auditor and internal auditor to report directly to the Committee;

provide the external auditor with notice of every meeting of the Committee and, at the expense of the Corporation, the opportunity to attend and be heard thereat, and if so requested by a member of the Committee, shall attend every meeting of the Committee held during the term of the office of the external auditor. The external auditor of the Corporation or any member of the Committee may call a meeting of the Committee;

pre-approve all permitted non-audit services to the Corporation or any affiliated entities by the external auditor or any of their affiliates subject to any *de minimus* exception allowed by applicable law. The Committee may delegate to one or more designated members of the Committee the authority to pre-approve non-audit services, however any non-audit services that have been pre-approved by any such delegate of the Committee must be presented to the Committee at its first scheduled meeting following such pre-approval;

review the disclosure with respect to its pre-approval of audit and non-audit services provided by the external auditors;

review and discuss with management and the external auditor, as applicable: (a) all critical accounting policies to be used in the preparation of the interim and annual financial statements and the annual audit; (b) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Trust s or the Corporation s selection or application of accounting principles, and major issues as to the adequacy of the Trust s or the Corporation s respective internal controls and any special audit steps adopted in light of material control deficiencies; (c) analyses prepared by management or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative Canadian Generally Accepted Accounting Principles (GAAP) methods on the financial statements of the Trust and any other opinions sought by management from an independent or other audit firm or advisor with respect to the accounting treatment of a particular item; (d) any management letter or schedule of unadjusted differences provided by the external auditor and the Trust s response to that letter and other material written communication between the external auditor and management; (e) any problems, difficulties or differences encountered in the course of the audit work including any disagreements with management or restrictions on the scope of the external auditor s activities or on access to requested information and management s response thereto; (f) the effect of regulatory and accounting initiatives, as well as any off balance sheet structures on the financial statements of the Trust and other financial disclosures; (h) any reserves, accruals, provisions or estimates that may have a significant effect upon the financial statements of the Trust; (i) the use of special purpose entities and the business purpose and economic effect of off balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Trust or the Corporation and their impact on the reported financial results of the Trust; and (j) the use of any pro forma or adjusted information not in accordance with generally accepted accounting principles;

reviewing earnings press releases (paying particular attention to any use of pro forma or adjusted non-GAAP information) as well as financial information and earnings guidance provided to analysts and rating agencies, it being understood that such review may in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made);

review with the external auditor and management the general audit approach and scope of proposed audits of the financial statements of the Trust, the objectives, staffing, locations, co-ordination and reliance upon management in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits;

review any legal matter, claim or contingency that could have a significant impact on the financial statements of the Trust, the Corporation s or the Trust s compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Trust s financial statements;

review the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Corporation s operations;

review the interim review engagement report of the external auditor before the release of interim financial statements of the Trust;

review and discuss with management the Corporation s major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation s risk assessment and risk management policies such as financial derivatives and hedging activities;

annually request and review a report from the external auditor regarding: (a) the external auditor s quality control procedures; (b) any material issues raised by the most recent quality control review or peer review of the external auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm; and (c) any steps taken to deal with any such issues;

evaluate the qualifications and performance of the external auditor, review the Corporation s hiring policies for partners, employees or former employees of the external auditor and make recommendations to the Board of Directors as to the appointment or reappointment of the external auditor to be proposed for approval by the Board of Trustees and Unitholders;

review the independence of the external auditor, annually request and review a written report from the external auditor respecting its independence, including a list of all relationships between the external auditor and each of the Corporation and the Trust, and consider applicable auditor independence standards;

verify that the lead audit partner of the external auditor and the audit partner responsible for reviewing the audit are rotated at least every five years as required by the Sarbanes-Oxley Act of 2002, and further consider rotation of the external auditor s firm itself;

discuss with management and the external auditors any accounting adjustments that were noted or proposed by the external auditors but were not adopted (as immaterial or otherwise);

review the adequacy and effectiveness of the Corporation s and the Trust s internal accounting and financial controls based on recommendations from management and the external auditor for the improvement of accounting practices and internal controls;

establish and periodically review procedures for: (a) the receipt, retention and treatment of complaints received by the Corporation or the Trust regarding accounting, internal controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters or other matters that could negatively affect the Corporation or the Trust such as violations of the Joint Code of Business Conduct and Ethics;

review periodically with management and the external auditors any significant complaints received;

review other financial information included in the Trust s Annual Report to ensure that it is consistent with the Board of Directors knowledge of the affairs of the Corporation and the Trust and is unbiased and non-selective;

if requested by the Board of Directors, receive from the Chief Executive Officer and Chief Financial Officer of the Corporation a certificate certifying in respect of each annual and interim report of the Trust the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws and receive and review disclosures made by such officers about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or persons who have a significant role in the Corporation s internal controls;

review any report required by law, regulations or stock exchange requirement to be included in the Trust s periodic reports;

meet at least four times a year on a quarterly basis or more frequently as circumstances require, with the Chief Financial Officer of the Corporation, the head of the internal audit function of the Corporation, if other than the Chief Financial Officer, and the external auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately;

meet in separate, non-management, in-camera sessions at each regularly scheduled meeting;

meet in a separate non-management, closed sessions with any other internal personnel or outside advisors, as necessary or appropriate;

review annually the Corporation s insurance programs and pension plans, not including the Directors and Officers insurance program;

review the results of the annual external audit, including the audit report to the Trust s Unitholders and any other reports prepared by the external auditors and the informal reporting from the external auditor on accounting systems and internal controls, including management s response;

review and evaluate the scope, risk assessment, and nature of the internal audit plan and any subsequent changes;

consider and review the following issues with management and the head of the internal audit group:

- significant findings of the internal audit group as well as management s response to them;
- any difficulties encountered in the course of their internal audits, including any restrictions on the scope of their work or access to required information;
- the internal auditing budget and staffing;
- the internal Audit Services Charter; and
- compliance with The Institute of Internal Auditors *Standards for the Professional Practice of Internal Auditing*;