PRECISION DRILLING CORP
Form 6-K
April 13, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO SECTION 13A-16 OR 15D-16 OF THE
SECURITIES EXCHANGE ACT OF 1934

For April 13, 2004

Commission File Number: 001-14534

PRECISION DRILLING CORPORATION
(Exact name of registrant as specified in its charter)

4200, 150 - 6TH AVENUE S.W.
CALGARY, ALBERTA
CANADA T2P 3Y7
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F [_] Form 40-F [X]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1). _____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing 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.

Yes [_] No [X]

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- N/A

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRECISION DRILLING CORPORATION

Per: /s/ Jan M. Campbell
Jan M. Campbell
Corporate Secretary

Date: April 13, 2004

EXHIBIT INDEX

Exhibit No.	
1.	Management's Discussion and Analysis extracted from the 2003 Annual Report to Shareholders of Precision Drilling Corporation
2.	Consolidated Financial Statements extracted from the 2003 Annual Report to Shareholders of Precision Drilling Corporation

EXHIBIT 1

ANNUAL REPORT 2003
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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis has been prepared taking into consideration information available to February 10, 2004. The discussion focuses on key statistics from the Consolidated Financial Statements, and pertains to known risks and uncertainties relating to the oilfield and industrial service sectors. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other elements may or may not occur which could affect the Corporation in the future. In order to obtain the best overall perspective, this discussion should be read in conjunction with the material contained in other parts of this annual report, including the audited Consolidated Financial Statements. The effects on the Consolidated Financial Statements arising from differences in generally accepted accounting principles (GAAP) between Canada and the United States are described in Note 15 to the Consolidated Financial Statements.

HIGHLIGHTS(1)
(STATED IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS,
WHICH ARE PRESENTED ON A DILUTED BASIS)

		Increase		Increase
Years ended December 31,	2003	(DECREASE)	2002	(Decrease)
Revenue	1,917,933	350,427	1,567,506	(247,702)
% change	22%	(14%)	45%	
Operating earnings (2)	297,110	141,551	155,559	(206,226)
% change	91%	(57%)	47%	
Earnings from continuing operations before goodwill amortization	191,131	101,597	89,534	(116,763)
% change	113%	(57%)	40%	
Earnings from continuing operations	191,131	101,597	89,534	(86,176)
% change	113%	(49%)	41%	
Net earnings	188,676	97,411	91,265	(95,269)
% change	107%	(51%)	43%	
Earnings per share from continuing operations	3.46	1.83	1.63	(1.60)
% change	112%	(50%)	30%	
Net earnings per share	3.41	1.75	1.66	(1.78)
% change	105%	(52%)	33%	
Cash flow from operations	258,427	59,204	199,223	(233,007)
% change	30%	(54%)	82%	
Net capital spending	290,504	50,961	239,543	(101,418)
% change	21%	(30%)	89%	

(1) QUARTERLY FINANCIAL INFORMATION FOR THE TWO-YEAR PERIOD ENDED DECEMBER 31, 2003 IS PRESENTED ON PAGE 104 OF THIS ANNUAL REPORT.

(2) OPERATING EARNINGS IS NOT A RECOGNIZED MEASURE UNDER CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). MANAGEMENT BELIEVES THAT IN ADDITION TO NET EARNINGS, OPERATING EARNINGS IS A USEFUL SUPPLEMENTAL MEASURE AS IT PROVIDES AN INDICATION OF THE RESULTS GENERATED BY THE CORPORATION'S PRINCIPAL BUSINESS ACTIVITIES PRIOR TO CONSIDERATION OF HOW THOSE ACTIVITIES ARE FINANCED OR HOW THE RESULTS ARE TAXED IN VARIOUS JURISDICTIONS. INVESTORS SHOULD BE CAUTIONED, HOWEVER, THAT OPERATING EARNINGS SHOULD NOT BE CONSTRUED AS AN ALTERNATIVE TO NET EARNINGS DETERMINED IN ACCORDANCE WITH GAAP AS AN INDICATOR OF PRECISION'S PERFORMANCE. PRECISION'S METHOD OF CALCULATING OPERATING EARNINGS MAY DIFFER FROM OTHER COMPANIES AND, ACCORDINGLY, OPERATING EARNINGS MAY NOT BE COMPARABLE TO MEASURES USED BY OTHER COMPANIES.

FINANCIAL POSITION AND RATIOS
(STATED IN THOUSANDS OF CANADIAN DOLLARS)

Years ended December 31,	2003	2002	2001
Working capital	248,261	210,256	215,919
Working capital ratio	1.6	1.5	1.6
Long-term debt (1)	399,422	514,878	496,200
Long-term debt to long-term debt plus equity (1)	0.19	0.25	0.26
Long-term debt to cash flow from operations (1)	1.5	2.6	1.1
Interest coverage (2)	8.5	4.4	8.4

(1) EXCLUDING CURRENT PORTION OF LONG-TERM DEBT WHICH IS INCLUDED IN WORKING CAPITAL.

(2) OPERATING EARNINGS DIVIDED BY NET INTEREST EXPENSE.

The 107% increase in net earnings in 2003 over 2002 was driven largely by the strong Canadian market where drilling activity increased by 30% year over year. Technology Services (TS) return to profitability was also a contributor to the improvement. While not as significant quantitatively, this milestone provides a measure of success for management's efforts to re-focus that business from top line growth to bottom line profitability.

Interim objectives in the Corporation's five year plan to develop the Technology Services segment have been achieved, the most significant of which relate to technological advancements. Our new logging-while-drilling (LWD), measurement-while-drilling (MWD) and rotary steerable tools have set new standards for operating in high temperature and high pressure environments and have demonstrated superior information gathering and steering response capabilities. The tools are now being put to work by our customers and revenues should increase as the number of systems deployed to operations increases and as we fill out our fleet with the full complement of tool sizes.

Our research and engineering programs were successful at mitigating the technology risk associated with the TS development plan. However, it was recognized that insufficient attention had been paid to managing factors that put achievement of profitability objectives at risk. As is often the case, achievement of one set of objectives requires different skills than achieving another set of objectives. As a result, changes were made at various levels of the TS management team to add the experience required to focus on delivering a consistent product to our customers in a systematic and profitable manner.

Change was not isolated to the Technology Services segment. Early in the year, the Corporation sold its gas compression business, which was carried on by Energy Industries Inc. Although Energy Industries had been profitable since its acquisition by Precision in 1996, the compression packaging business was determined to be not core to the Corporation's energy services globalization strategy. In September the Corporation's rental businesses were brought under one umbrella to form Precision Rentals Ltd. This served to simplify purchasing decisions for our customers by providing one point of contact for all their rental needs.

SUMMARY INCOME STATEMENT
(STATED IN THOUSANDS OF CANADIAN DOLLARS)

Years ended December 31,	2003	2002
Operating earnings (loss)		
Contract Drilling	$ 285,753	$ 184,553
Technology Services	4,842	(31,733)
Rental and Production	39,350	30,090
Corporate and Other	(32,835)	(27,351)
	297,110	155,559
Interest, net	35,050	35,123
Dividend income	--	(39)
Gain on disposal of investments	(3,355)	(900)
Earnings from continuing operations before income taxes, non-controlling interest and goodwill amortization	265,415	121,375
Income taxes	72,532	30,690
Earnings from continuing operations before non-controlling interest and goodwill amortization	192,883	90,685
Non-controlling interest	1,752	1,151
Earnings from continuing operations before goodwill amortization	191,131	89,534
Goodwill amortization, net of tax	--	--
Earnings from continuing operations	191,131	89,534
Gain on disposal of discontinued operations	17,460	--
Discontinued operations	(19,915)	1,731
Net earnings	$ 188,676	$ 91,265

ECONOMIC DRIVERS OF THE OILFIELD SERVICES BUSINESS

Crude oil and natural gas (hydrocarbons) are the primary sources of energy in the world. The provision of these commodities to the consuming public involves a number of players, each of whom take on different risks in the process of exploring for, producing, refining and distributing hydrocarbons and its associated refined by-products. Exploration and production companies assume the risk of finding hydrocarbons in pools of sufficient size to economically develop and produce the reserves. The economics of exploration and production is dictated by the current and expected future margin between the cost to find and develop hydrocarbons and the price at which those products can be sold. The wider the margin, the more incentive there is to undertake the activities involved in the process of finding, producing, refining and distributing energy to residential and business users.

The worldwide oilfield services industry (broadly defined) is a 100 billion business that provides a wide array of services and equipment to support oil and gas exploration and production activities.

[GRAPHIC OMITTED - PIE CHART]
[OILFIELD SPENDING WORLDWIDE]

[GRAPHIC OMITTED - PIE CHART]
[SOURCES OF ENERGY USED WORLDWIDE]

These activities include acquiring access to prospective lands, shooting seismic to detect the presence of hydrocarbons, drilling wells and measuring the characteristics of subsurface geological formations. If a well is evaluated to be commercially viable, additional oilfield services are required to complete the new well and then subsequently to maintain production. Exploration and production companies hire oilfield service companies to perform the majority of these services, hence, they are Precision's customers. The revenue for an oilfield service company is therefore, our customer's finding and development cost.

Providing these services incorporates three main elements: people, technology and equipment. Attracting, training and retaining qualified employees is the single biggest challenge for a service company. Exploration and production activities are taking place in ever changing surface and subsurface conditions. Developing technology and building equipment that can withstand increasing physical challenges and operate more efficiently is key to maintaining and improving the economics of crude oil and natural gas production. The primary economic risks assumed by oilfield service companies are the volatility of activity levels, that translate into utilization rates for its investment in people, technology and equipment, and cost control to maximize the margins it earns.

The economics of a service company is thus largely driven by the current and expected price of crude oil and natural gas, which is determined by the supply and demand for the commodity. Since crude oil can be transported relatively easily, it is priced in a worldwide market which is influenced by a wide array of economic and political factors. Natural gas is priced in more local markets due to the requirement to transport this gaseous product in pressurized pipelines.

[GRAPHIC OMITTED - LINE CHART]
[WTI OIL AND HENRY HUB GAS PRICES]

Although, as illustrated above, crude oil and natural gas prices have historically been quite volatile, the consensus of industry observers is that the relatively high current price environment appears to be sustainable for the foreseeable future. Oil prices, which during 2003 averaged US$31.10 per barrel for West Texas Intermediate (WTI), are the result of political instability in some OPEC member nations (Venezuela, Iraq and Nigeria) and from a generally improving world economy with energy demand growth particularly strong in China and Southeast Asia. Another important factor in the crude oil pricing equation, and one that has seen a fundamental change from past pricing scenarios, is the value of the U.S. dollar. Since oil prices are denominated in U.S. dollars around the world, the devaluation of the U.S. dollar that has occurred over the past year has implications for both the seller and buyer of the commodity. Oil producing nations, with OPEC members taking the lead in controlling supplies and prices, are motivated to see an increase in the U.S. dollar price of oil to maintain their purchasing power in other currencies such as the Euro. From a buyer's perspective, the devaluation of the U.S. dollar has made oil a cheaper commodity for those who spend Euros and Japanese Yen thus supporting the increased demand.

North American natural gas prices are also being supported by strong fundamentals. Demand is increasing with improved economic growth while supply from relatively mature producing basins is starting to decline. The near record gas drilling activity in 2003 served only to slow the decline in the production rate and this situation is not expected to change in the near future. High oil prices also serve to support natural gas prices as the

economic benefit of switching between the two fuels is minimal. The importation of liquefied natural gas into the North American market, once thought to be the competitive product that would cause gas prices to decline, is now viewed by many industry analysts as a requirement to fill the gap between demand and conventional production capabilities.

THE CANADIAN MARKET - PRECISION'S PLATFORM

The Western Canada Sedimentary Basin (WCSB) is maturing and our Canadian business units are adapting to this change. Overall production in the WCSB is growing, however, conventional oil is on the decline and natural gas reserve growth is struggling to replace 2003 production volumes. Growth opportunities exist in oil sands, heavy oil and tight gas drilling, coal bed methane drilling in particular. Longer-term medium to deep drilling prospects will be long awaited opportunity for oilfield service providers. With strong commodity prices, our customers first exploit low risk quick tie-in production. For western Canada this is shallow natural gas and the statistics prove this out. The number of wells drilled in 2003 set an all-time high with 19,851 completed wells. Note that well statistics on a completion basis differ from rig releases due to delays in reporting. While the statistics vary, well completion statistics accurately profile work opportunity over longer periods of time.

The following chart profiles the type of wells drilled in Canada over the past 10 years.

[CHART OMITTED - BAR CHART]
[WESTERM CANADA SEDIMENTARY BASIN]
[NUMBER OF INDUSTRY WELLS DRILLED ON A COMPLETION BASIS]

The steady growth in natural gas drilling has fueled activity for the past decade. The shift from oil to natural gas wells impacts the underlying nature of the energy services that companies like Precision provide. It has created higher demand for snubbing and in general, lower demand for service rigs, as natural gas wells do not need to be worked over as frequently as oil wells.

The following chart profiles 10-year drilling rig activity trends as measured by spud to rig release operating days by category of drilling rig depth rating.

[GRAPHIC OMITTED - BAR CHART]
[WESTERN CANADA SEDIMENTARY BASIN]
[INDUSTRY OPERATING DAYS]
[BY DRILLING RIG DEPTH RATING]

While the year 2003 set the WCSB well count record, it is 1997 that continues to hold the high mark for drilling rig work in terms of utilization and operating days. At 33% of industry drilling rigs, Precision's activity tracks very close to industry. While the well count is important, the reduction in time to drill a well deserves emphasis.

It is the development of shallow well oil and natural gas prospects that underpins the Canadian market and continues to be the agent for activity volatility. The trend towards deeper drilling prospects is progressing at a slow pace. However as our customers drill out the shallow well inventories that they hold today, they will be forced to pursue deeper prospects. We believe that we are beginning to see this shift as demand for medium depth light triple type drilling rigs has never been stronger than it is in the first quarter of 2004.

The following chart profiles the 10-year trend in terms of average well depth and average operating days to drill a well.

[GRAPHIC OMITTED - LINE CHART]
[WESTERN CANADA SEDIMENTARY BASIN]
AVERAGE INDUSTRY WELL DEPTH VERSUS TIME TO DRILL

On average, oil and gas well depths are increasingly shallow. This is entirely consistent with the production shift to natural gas in the WCSB.

Experience shows that our customers, the producers, first develop low risk close to market prospects such as those in southern Alberta. The average time to drill a well in the WCSB in 2003 was just over six days. For Precision in Canada, the average time is 5.1 days. The average drilling time per well has shown considerable reduction since 1999 as drilling contractors continue to search for niche equipment solutions to specific well parameters. Precision's coil tubing drilling rigs, since their emergence in the year 2000, have had a significant impact on industry drilling statistics and in some ways have diminished the meaning of a well count in terms of drilling rig activity.

Improvements in drilling equipment and processes in combination with better downhole tools like MWD, LWD and the drill bit have provided productivity gains that lower customer costs. Precision's coil tubing drilling rigs is a case in point. Available rigs averaged 10.5 in 2003 and all together they drilled 2,641 wells during the year. Each well averaged a well depth of 614 metres, took 16.8 hours to drill with an operating utilization of 48%, move time excluded. These types of drilling solutions are applicable to specific drilling programs only and have filled a customer need to better exploit shallow natural gas. Another example is oil sands drilling in northeast Alberta where Precision has taken a lead industry role in the development of specialized equipment configuration with our Super Single(R) drilling rig to meet the drilling requirement for programs that enable recovery techniques such as Steam Assisted Gravity Drainage (SAGD).

Innovations such as these may reduce our drilling revenue days in the near term, however it balances out as we enable our customers to pursue more prospects in the exploitation of hydrocarbons within the WCSB.

The following chart profiles the 10-year trend in terms of available drilling rigs and operating day rig utilization.

[GRAPHIC OMITTED - LINE/BAR CHART]
[WESTERN CANADA SEDIMENTARY BASIN]
[INDUSTRY UTILIZATION VERSUS NUMBER OF DRILLING RIGS AVAILABLE]

The supply of drilling rigs in Canada has steadily increased over the past 10 years to almost 700, an all-time high. Customer demand as measured by operating day utilization peaked in 1997 and has languished between 38% and 56% since. This has not deterred the industry from adding rigs as drilling contractors have continued to build capacity. In the short term the capacity is geared toward peak winter demand in January and February. In the medium to long-term it provides the capacity to drill more wells through better utilization in the other ten months of the year. If commodity prices weaken for a prolonged period the industry may have a large supply demand imbalance. Clearly the industry believes that the pace of drilling to sustain natural gas production for domestic Canadian use and export to the United States will keep equipment utilization in good stead.

Within the Contract Drilling segment, Precision underwent tremendous growth in Canada up to 1997. Subsequently we diversified our service offering through service rigs and snubbing units to service and work-over the increasing number of wells drilled and in production. This included camp and catering capabilities to meet the logistical reality of remote drilling locations and the need to reduce travel incidents for field employees at the well site. Precision's drilling rig fleet represented 40% of the industry in 1997. Our market share has eroded to 33% in 2003. Precision is comfortable at this level and we acknowledge that it would take the acquisition of 55 existing rigs to regain lost market share.

With a lead industry market share in Canada and reduced acquisition opportunities within Canada our focus has been to reach out and gain experience in the international drilling market. We have gained considerable work experience and projects like the Burgos Basin in Mexico demonstrate our ability to deploy and operate on a large scale in the global arena.

PRECISION'S DEVELOPMENT IN THE OILFIELD SERVICES BUSINESS

Precision's development is best described in the context of its three business segments which are distinguished by not only by the types of services provided but also by their position on the continuum from start-up to maturity. Contract Drilling includes drilling rigs, service rigs, hydraulic well assist snubbing units, procurement and distribution of oilfield supplies, camp and catering services, and manufacture, sale and repair of rig equipment. Technology Services includes wireline, directional drilling, MWD, LWD services, separation services, controlled pressure drilling, and the design, manufacture and marketing of polycrystalline diamond compact drill bits. Rental and Production includes oilfield equipment rental services and industrial process services.

The following graphs illustrate how each of the Contract Drilling, Technology Services and Rental and Production segments have historically contributed to Precision's profitability and investment.

[GRAPHIC OMITTED - BAR CHART]
[REVENUE ($ millions)]

[GRAPHIC OMITTED - BAR CHART]
[OPERATING EARNINGS ($ millions)]

[GRAPHIC OMITTED - BAR CHART]
[CAPITAL SPENDING ($ millions)]

CONTRACT DRILLING - CANADA IS THE CORE - WORLDWIDE DRILLING IS IN SIGHT

The Contract Drilling segment is the current financial foundation of the Corporation. Canadian business units within the segment are well established. Each core business unit has undergone asset growth and has a lead market role within Canada. Using the financial and operational leverage gained, the segment continues to evolve within Canada with a view to exporting its capabilities to niche markets worldwide.

Within Canada the segment has individual business units that are tightly integrated in terms of operational management, safety, engineering, accounting and senior management supervision and governance. Communication is a skill that has been refined and ingrained in the operating culture. The strength to successfully integrate acquisitions with vertical integration within and between related ancillary business units has been developed through the handling of acquisitions over the past 15 years.

Precision's roots began in Western Canada as a land drilling contractor and the Corporation's development has matched that of the WCSB. Initially founded in 1985 as Cypress Drilling Ltd., the business quickly grew from four drilling rigs to 19 with the reverse takeover in 1987 of Precision Drilling Ltd., a company formed in 1952. Over the following decade a series of nine acquisitions expanded the Canadian drilling rig fleet to 200 as of May 1997 and a 40% market share of industry rigs. International operations in Venezuela commenced in 1992 with the Sierra Drilling acquisition. Diversification into service rig and snubbing operations came with the 1996 acquisition of Enserv Corporation. In the second half of the year 2000, Precision became fully vested in the Canadian service rig business as the CenAlta Energy Services Inc. acquisition created a combined fleet of 257 service rigs and a lead industry market share of 28%. The additional acquisition in 2000 of coil tubing drilling rigs and other shallow drilling rigs rounds out key milestones in our asset base growth.

While each business unit is at its own stage in the business life cycle continuum, drilling has matured over the past three years. Today the business has developed critical equipment mass and employee depth. It has developed integrity-based systems that enable the business to evolve in meeting fundamental industry challenges while delivering better profit and safety performance. Employee retention and seasonal cycles remain a huge manpower challenge for the industry. This condition is rather unique in that there is a reasonable supply of equipment; it is the people element that keeps the market in tight supply. The supply of experienced people yields profit leverage for oilfield service companies, not just the "iron".

CORE BUSINESS ASSETS

	Five Year History, end of		
	2003	2002	2001
International (beyond Canada and the U.S.)			
Drilling Rigs	19	16	15

United States			
Drilling Rigs	1	1	4
Canada			
Drilling Rigs - 33% of industry	225	226	229
Service Rigs - 28% of industry	239	240	257
Rig Assist Snubbing Units - 33% of industry	25	23	24
Oilfield Drilling Camps - 25% of industry	88	74	74
Enabling Infrastructure (Canada - in square feet)			
Equipment Manufacture Facility	48,000	48,000	48,000
Consumable Supply Procurement and Distribution Facility	40,000	40,000	40,000

The following tables provide a worldwide summary of Precision's drilling and service rig fleets.

			2003		
Type of Drilling Rig	Depth	CANADA/U.S.	INTERNATIONAL	TOTAL	Canada/U.S.
Single	to 1,200 m	18	--	18	17
Super Single(R)	to 2,500 m	15	4	19	16
Double	to 3,000 m	96	7	103	96
Light triple	to 3,600 m	47	6	53	48
Heavy triple	to 7,600 m	39	2	41	39
Coiled tubing		11	--	11	11
Total fleet		226	19	245	227

Type of Service Rig - Canada	2003	2002	2001
Single	1	1	4
Freestanding mobile single	75	50	23
Mobile single	29	55	91
Double	57	58	60
Freestanding mobile double	6	6	5
Mobile double	46	45	48
Heavy double	7	7	9
Freestanding heavy double	2	2	--
Freestanding slants	16	16	16
Swab	--	--	1
Total fleet	239	240	257

As shallow natural gas drilling runs its course in Canada, our diverse and versatile fleet of drilling and service rigs are very well positioned for the eventual shift to deeper drilling prospects.

TECHNOLOGY SERVICES

The acquisition of Computalog Ltd. in 1999 marked the initial step in a five-year strategy to develop the Technology Services business. The market for downhole services was and still is dominated by three large multi-national oilfield service companies. However, oil and gas exploration and production companies are keen to see competition in the ranks of their service providers and a niche was available to a smaller participant that could deliver quality products and service. Precision's mature drilling operation provided the reputation of a respected service provider and the financial backing required to take on such a venture. In addition, the TS business provided the means to participate in the offshore oil and gas exploration and production market.

The objectives of TS are the same today as they were in 1999. They are to expand our product offering, globalize the presence of the whole Precision group outside of Canada, and introduce a step change in technological capabilities of what existed in TS and the industry. An advantage that TS had as a new "greenfield" participant in the market was that it was not burdened by the challenge of integrating new technology with old, nor need it be concerned with the impact new technology might have on the economics of a substantial investment in earlier generation technologies.

Initially, activities aimed at achieving TS objectives were undertaken across a broad front. Since 1999 Precision has spent $133 million on its research and engineering efforts. Much of this work was centered around Advantage R&D, Inc. in Houston, Texas, which was established by Precision in 2000 with the mandate to develop the next generation of LWD and MWD tools. Another significant element of the research and engineering program focused on the development of our Rotary Steerable tools, which work was undertaken by Smart Stabilizer Systems Ltd., a Precision subsidiary based in Cheltenham, England.

Acquisitions, including Geoservices S.A in October 2000 and BecField Drilling Services Ltd. in January 2001, were completed to gain access to innovative technologies and to establish a presence in certain regional international markets. By early 2001, TS had established regional centers in seven strategic geographic areas around the world, namely Canada, the U.S., Mexico, Latin America, Europe/Africa, the Middle East and Asia/Pacific.

Technology Services revenue grew from $126 million in 1999 to $603 million in 2002. A significant amount of this expansion came outside of the Canadian and U.S. markets with the other regional operations accounting for 38% of revenue in 2002 compared to 14% in 1999. However, the scope of TS growth initiatives, in terms of both geography and product lines, combined with the impact of delays in the deployment of new technologies, resulted in operations support and administrative organizations that were uneconomic for the start-up revenue levels realized.

Fiscal 2003 can best be characterized as a "year of re-focus" for TS. A number of management changes occurred during the year which changed the style and culture of the TS segment. No longer is the segment purely focused on revenue growth and geographic expansion. The renewed goal is profitable growth in areas where we believe we can achieve an acceptable long-term return on our investment.

RENTAL AND PRODUCTION

Precision entered this segment of its business in 1996 when it acquired EnServ Corporation. Since then the Corporation has reduced the operations carried on by this segment through strategic divestitures that took advantage of attractive valuations to dispose of operations determined to be not core to Precision's future growth plans. The industrial rental division was sold in February 1999 and the gas compression operation was sold in March 2003. Each of these transactions produced gains for the Corporation. Both of the businesses currently carried on by the segment, namely, industrial plant maintenance and oilfield equipment rental, have grown through acquisitions and the pursuit of internal growth opportunities.

CEDA's plant maintenance operations have become increasingly focused on the expanding activity in northern Alberta's oilsands regions. The acquisition of JJay Exchanger Industries Ltd. in the second quarter of 2000 solidified the segment's position in this market as a provider of all the required services in a major refinery or petro-chemical plant turnaround/shutdown.

Innovation has also played an important role in CEDA's steady growth. Their research and development efforts have grown out of their unique knowledge and experience, with the focus on developing new tools and applications that are marketable in the field. Examples of products that CEDA has introduced to the market include the SuperLance(TM) System, which combined Precision's experience in coil tubing drilling with water blasting technology to increase the efficiency of cleaning coker units in refineries, and various adaptations of robotics technology to increase the safety and timeliness of tank cleaning operations.

The oilfield equipment rental business expanded its product offerings in 1997 with the acquisition of substantially all of the business assets of Ducharme Oilfield Rentals Ltd. whose primary product line was the rental of portable industrial housing, which is used at many remote drilling locations in western Canada. Since then many initiatives have been undertaken to integrate the delivery of products to customers and increase the profitability of operations. Among them is the closure of the wellsite trailer manufacturing facility in favour of less costly outsourcing arrangements in 2002 and more recently the consolidation of all rental product lines to form Precision Rentals Ltd. This latter move was in response to changing and growing customer needs to simplify their purchasing decisions by providing one point of contact to access all their rental needs.

RESULTS OF OPERATIONS

CONTRACT DRILLING
(STATED IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER DAY/HOUR AMOUNTS)

	% OF	% of

Years ended December 31,	2003	REVENUE	2002	Revenue
Revenue	$ 992,824		$ 770,147	
Expenses:				
Operating	602,418	60.7	491,433	63.8
General and administrative	29,364	3.0	29,769	3.9
Depreciation	77,725	7.8	62,524	8.1
Foreign exchange	(2,436)	(0.3)	1,868	0.2
Operating earnings	$ 285,753	28.8	$ 184,553	24.0

	2003	% INCREASE (DECREASE)	2002	% Increase (Decrease
Number of drilling rigs (end of year)	245	0.8	243	(2.0
Drilling operating days (worldwide)	46,715	33.2	35,081	(25.6
Revenue per operating day	$ 15,984	(0.1)	$ 16,008	(0.1
Number of service rigs (end of year)	239	(0.4)	240	(6.6
Service rig operating hours	439,519	12.1	392,210	(20.4
Revenue per operating hour	$ 462	3.6	$ 446	4.4

2003 COMPARED TO 2002

In financial terms, the Contract Drilling segment had a very good year in 2003 with a sharp rebound in Canadian drilling activity to 2001 levels, higher international rig activity with fourth quarter growth and a moderate increase in Canadian service rig activity. Snubbing and camps services were also more active with equipment utilization improvement similar to drilling. While international conditions were positive, seasonally adjusted Canadian performance strengthened throughout 2003. In 2002, the quarterly trend was quite the opposite where in Canada conditions were deteriorating after the torrid pace of 2001. For 2003, segment revenues increased by 29% to $993 million, an improvement of $223 million over the prior year. Operating earnings increased by 55% to $286 million, an improvement of $101 million and 4.8 percentage points of revenue for a margin improvement of 20%. Of the $101 million improvement in operating earnings, 70% or $70 million of this is attributable to Canadian drilling rig and service rig operations. This earnings improvement is attributable to more equipment activity and higher pricing. The equipment activity increase, volume factor, generated incremental operating earnings of $50 million over prior year with higher pricing, price factor, generating $20 million virtually all of which was generated in the second half of the year. Service rig performance is noteworthy, as the operating earnings margin improvement was almost half the total at $9 million or $21 per service rig operating hour.

International drilling operations experienced significant expansion in 2003 as operating earnings and operating days increased by 31% and 32%, respectively, over 2002. The increased activity is attributable to additional rigs working in Mexico and the commencement of operations in the Middle East and the

Asia/Pacific region.

In summary, current year performance is significantly ahead of 2002, and close to the record setting performance of fiscal 2001.

Coming off a relatively weak 2002, fiscal 2003 steadily gained strength as our customers stepped up field activity to increase production in an environment where commodity price strength became more entrenched. With firm global oil pricing and firm North American natural gas pricing, sustained demand for Canadian Contract Drilling services throughout the year has allowed for strong revenue rates as we exit the fourth quarter of 2003. In the Canadian market, this is in sharp contrast to 2002, where rates were being undermined to start the year and continued to erode during the year.

During 2003 Contract Drilling kept tight control on capital expenditures with a focus to strengthen the existing asset base, grow international drilling and be opportunistic to acquisitions within Canada. Capital expenditures, including business acquisitions, totaled $106 million, representing an increase of $55 million or 108% compared with 2002. The increase is primarily attributable to asset base growth as the level of expenditure to upgrade our existing asset base is a continual priority.

International drilling operations continued along a path of patient growth. The rig count increased by three to exit the year at 19, with 10 in Mexico, two in the Middle East, two in Asia/Pacific, and five in South America. There were four additions and net one rig disposal. Three new rigs were built in Canada with one deployed to Mexico, one to the Middle East and one platform rig to the Asia/Pacific region. The fourth rig is a retrofitted mechanical light triple deployed to Mexico from the Canadian fleet. A net one rig ownership interest in Argentina was disposed of during the year. The platform-mounted rig 703 is of particular interest as it is Precision's first offshore drilling rig. The rig was mobilized for Asia/Pacific late in the year and is not expected to start operations until the second quarter of 2004.

[GRAPHIC OMITTED - PIE CHART]
[GEOGRAPHIC DISTRIBUTION OF
CONTRACT DRILLING REVENUE (2003)]

In Canada, our asset base expanded with the acquisition of two snubbing units, 19 oilfield camps and the construction of one new generation single drilling rig, a Super Single(R) Light with a 1,200 metre depth rating. A second such rig commenced drilling in February 2004. Asset reductions include the decommissioning of one drilling and one service rig, the sale of one surface hole drilling rig and one camp and the transformation of certain four unit camps into six unit configurations.

Canada spurred the improved financial performance on the strength of record shallow natural gas well drilling activity.

o Canadian drilling rig activity increased 36% over prior year to 42,725 operating days and 52% utilization, an improvement of 11,362 days and 14 utilization percentage points.

- Service rig activity increased 12% over prior year to 439,519 operating hours and 50% utilization, an improvement of 47,309 hours and five utilization percentage points.

- Snubbing unit activity increased 39% over prior year to 4,322 utilization days and 54% utilization, an improvement of 1,210 days and 12 utilization percentage points.

- Camp activity increased 38% over prior year to 12,451 camp days and 39% utilization, an improvement of 3,406 days and 6 utilization percentage points.

International drilling rig activity increased 32% over prior year to 3,990 operating days, an improvement of 975 days. Two thirds of the additional days occurred in the Mexico operations where additional rigs were put to work with the extension of the Burgos integrated services project. Drilling operations ran for a full year in the Asia/Pacific region adding 280 days to the increase in 2003 while Middle East operations commenced in the fourth quarter of 2003.

Looking ahead to 2004 we carry strong momentum in all business lines within the segment.

- Precision Drilling International's drilling operation is expected to benefit from a full year of 2003 growth in the Middle East and Asia/Pacific regions. We expect operations in Venezuela to carry forward at current levels.

- Precision Drilling in Canada is off to an excellent first quarter start with drilling rig activity 4% ahead of 2003 and superior operating earning margins.

- Precision Well Servicing in Canada is off to an even better first quarter start with service rig activity 8% ahead of 2003 and superior operating earnings margins.

- Live Well Service and LRG Catering are also ahead of last year's pace as natural gas drilling and production activity is generating strong demand for snubbing and camp/catering services.

2002 COMPARED TO 2001

The asset base for Contract Drilling was virtually unchanged during 2002, as there were no additions and certain rigs, 4 drilling and 17 service, were taken out of service. The reasons for the decline in activity in 2002 compared to 2001 were two-fold. First, competition and industry capacity continued to increase, albeit at a slower pace, as competitors continued to build new equipment. Available rigs in Canada reached an all-time record high. Second, although the fourth best year ever in western Canada in terms of well completions, 2002 was characterized by low risk drilling whereby short duration shallow gas wells were dominant. A lack of confidence in energy commodity pricing triggered conservative spending by our customers. This was noteworthy as drilling parameters serve as a lead indicator for most future energy services within a region. There were 14,459 wells drilled in Canada in 2002, a mark that resulted in a drilling rig activity decline of 27% to 31,363 operating days for Precision in Canada representing a 38% utilization rate, a post-1992 low. Service rig activity declined 20% to 392,210 hours in Canada (44% utilization). Our service rig work was split one-third new well completion with the remaining two-thirds directed towards the workover of existing wells in production. Snubbing unit activity declined 15% and camp and catering days declined 37% to 9,041 days (33% utilization).

Capital expenditures were managed to closely match changes in demand for our existing asset base. Measures of demand include utilization, revenue and operating earnings. Compared to the prior year service and drilling rig utilization declined a combined 24%, capital expenditures declined 59%, revenue decline of 23% and operating earnings declined 38%.

In terms of operating earnings, the $114 million dollar decline over prior year was due to a volume reduction of $71 million due to lower equipment utilization, with the remaining $43 million due to price competitiveness resulting in lower rig dayrates and less coverage of fixed infrastructure costs. Drilling and service rig dayrates were strong in the first quarter of 2002 as record 2001 performance momentum carried forward through winter drilling. However, as the remaining three quarters progressed, steadily softening demand continued to erode operating margins and Contract Drilling exited the year with margins at 52 week lows.

TECHNOLOGY SERVICES
(STATED IN THOUSANDS OF CANADIAN DOLLARS)

Years ended December 31,	2003	% OF REVENUE	2002	Rev
Revenue	$ 714,385		$ 603,088	
Expenses:				
Operating	523,105	73.2	463,632	
General and administrative	70,619	9.9	80,751	
Depreciation and amortization	75,578	10.6	53,347	
Research & engineering	42,419	5.9	34,862	
Foreign exchange	(2,178)	(0.3)	2,229	
Operating earnings (loss)	$ 4,842	0.7	$ (31,733)	

	2003	% INCREASE (DECREASE)	2002	% Increa (Decrea
Wireline jobs performed	38,403	24.6	30,813	(18.
Directional wells drilled	2,954	78.6	1,654	44
Well testing/CPD man days (Canada only) (1)	53,377	8.4	49,227	(18.

(1) CONTROLLED PRESSURE DRILLING (CPD).

2003 COMPARED TO 2002

As noted earlier, 2003 was a year of transition for Technology Services with new management changing the focus of the business from top line growth and geographic expansion to enhanced bottom line profitability. Return on capital employed is now the yardstick by which success is measured and investment decisions are guided. The transition is not complete, however, significant improvements were achieved in all regions and we will strive to make further progress in 2004.

Notable accomplishments in 2003 include the following:

- Non-profitable product lines were shut down in many regions. This is consistent with another key element of the Technology Services strategy going forward. That being, not trying to be everything to everybody everywhere. The segment will focus on what it is good at in regions where economies of scale will contribute to profitable operations.

- Other businesses were rationalized and re-focused. In some instances this involved consolidating management functions where geographically possible. In others it meant trimming cost structures to better match anticipated revenue levels and renegotiating customer contracts to recognize additional services being provided.

- Non-core businesses were identified. The sale of one such business, Fleet Cementers, Inc., was completed in February 2004, and a similar transaction is being pursued with respect to Polar Completions.

- TS was successful in signing a number of large contracts throughout the world on which the Corporation will use its new technologies.

- A technology review was completed in the third quarter which provided the direction for our research and engineering work for the next few years. This review centered on a road map for a development plan that considers key customer needs and requirements, identifies the related project parameters, and set priorities.

- The first phase of the segment's Enterprise Resource Planning information system implementation project was completed in the fourth quarter when the Canadian operations went live on the software. The new system and processes are already beginning to pay dividends in terms of expense analysis and additional information available to manage the business.

One critical factor that hampered the roll out of our new suite of tools in the first part of 2003 was the ability for the hostile environment logging (HEL(TM))/LWD tool to demonstrate that it could reliably perform in many different geological environments. The fourth quarter saw a step change in the reliability of these tools. The mean time between failure almost quadrupled in December and that success has continued in early 2004. This operating reliability allows our customers to also see the technological advantages of our tools which are demonstrating logging speeds well in excess of existing industry standards. The HEL(TM)/LWD tools now appear to be nearing the end of the process of evolving from a science project to a viable business. We began the project by designing and building tools to collect high quality geological and geophysical information. The next phase focused on collecting that information in a reliable and efficient manner, which is what we accomplished in the latter half of 2003. We are now starting to generate advanced interpretation products from that information and should be able to grow the business using our existing wireline infrastructure such as our computing and interpretation centers in Calgary and Houston.

With respect to our Rotary Steerable tool, although several runs have been completed with over 125 hours in the hole, we are having some reliability challenges of the same nature as we experienced with the HEL(TM)/LWD tools in early 2003. The tools have demonstrated superior capability to generate high build angles and to kick off directionally from a vertical wellbore, both of which add efficiencies to our customers' drilling operations.

[GRAPHICS OMITTED - BAR CHARTS]
[GEOGRAPHICAL DISTRIBUTION OF REVENUE]
[2003, 2002, 2001]

Revenue increased by $111 million or 18% in 2003 over 2002. All of the increase came from the Canada, U.S. and Mexico operations. Operations in Canada increased in conjunction with increased drilling activity. This increased demand for services also resulted in generally improved pricing. Similarly, revenue and pricing in the U.S. operation responded to the increase in the average rig count from 830 in 2002 to 1,030 in 2003. The Mexico business benefited from the extension of the Burgos integrated services project and from the award of additional contracts outside of that project.

Combined revenue from the segment's other regional operations was flat year over year. Increased revenue associated with a large wireline contract with a Canadian-based company in the Middle East was offset by reduced controlled pressure drilling work in the North Sea. Although it improved late in the year, activity in Venezuela was also lower than 2002 as a result of the political unrest in that country. Other countries in the region have improved over the last half of the year.

Profitability of the segment improved year over year moving from an operating loss in 2002 of $32 million to earnings of $5 million in 2003. The effort to review and rationalize businesses in TS brought with it incremental expenses in the form of severance and closure costs and write-downs of unusable assets. These expenses totaled $15 million in 2003. Operating and general and administrative expenses declined as a percentage of revenue due to cost reduction initiatives and economies of scale associated with certain fixed infrastructure costs. However, continued improvements are anticipated as we further develop our execution plan. This involves refining our personnel development, recruiting and training programs to make sure we have the appropriate people in place to facilitate the utilization of assets. It also involves standardizing our maintenance systems and operating procedures, all standard things that must be put in place to provide the foundation upon which to grow.

An important element in continuing the profitability improvements in TS is increased utilization of the new tools being put into service. Currently the jobs being performed are usually isolated from one another requiring backup equipment for every location. As customer acceptance increases, more jobs will be occurring simultaneously in one geographic region requiring less backup equipment on a per job basis. Plans are also in place to refine our manufacturing processes to reduce the overall cost of tools being built. These developments should serve to reduce depreciation expense as a percentage of revenue.

Research and engineering expenditures increased in 2003 as tool development programs moved from the laboratory to field operations. During the initial stages of the roll out, product support initiatives were being performed by the research and engineering teams. With the commercialization of operations, this work has been transferred to the operations groups. The target for sustained research and engineering expenditures is 5% of revenue.

2002 COMPARED TO 2001

TS continued its geographic diversification efforts in 2002. Revenue declined by $11 million or 1.8% in 2002 compared to 2001. The Canadian and U.S. operations saw revenue decline as a result of reduced activity levels. The year over year decline in the number of wells drilled amounted to approximately 20% in both markets. The U.S. operations were also hampered by delays in the roll out of the new suite of tools.

Revenue increased in all regions outside of Canada and the U.S. as the segment's expanded international presence facilitated the participation in a broader spectrum of projects. The political situation in Venezuela did have a negative effect on revenue as oil and gas production activity in that country was virtually shut down in the last six weeks of the year.

Having set up regional operations centers in 2001, the strategy was to establish brand recognition for Precision through successful completion of competitively bid projects. With these expanded operations, Precision increased its recognition as a viable alternative to the historical group of oilfield service providers in many international markets. However, the scope of the TS growth initiatives, in terms of both geography and product lines, combined with the impact of delays in the deployment of new technologies, resulted in operations support and administrative organizations that were uneconomic for the start-up revenue levels realized. This is also reflected in operating and general and administrative expense which grew 13.4% while revenue declined by 1.8%.

RENTAL AND PRODUCTION
(STATED IN THOUSANDS OF CANADIAN DOLLARS)

Years ended December 31,	2003	% OF REVENUE	2002	% of Revenue
Revenue	$ 210,724		$ 192,840	
Expenses:				
Operating	147,911	70.2	139,781	72.5
General and administrative	10,479	5.0	9,518	4.9
Depreciation	12,533	5.9	13,159	6.8
Foreign exchange	451	0.2	292	0.2
Operating earnings	$ 39,350	18.7	$ 30,090	15.6

	2003	% INCREASE (DECREASE)	2002	% Increase (Decrease)
Equipment rental days (000's)	820	35.1	607	(34.4)
Plant maintenance man-days (000's)	272	5.0	259	12.6

2003 COMPARED TO 2002

Revenue in the Rental and Production segment increased by 9% in 2003 compared to 2002. Both the oilfield equipment rental and industrial plant maintenance operations contributed to the increase. Equipment rental days increased in conjunction with increased drilling activity and operating earnings in this business improved significantly as most expenses are fixed in nature.

The cornerstone to the plant maintenance operations continues to be the work performed at the oilsands projects in northern Alberta. The division's ability to offer the complete suite of cleaning, mechanical, catalyst and dredging services required to maintain these large projects, and the continued training and development of its employees, differentiates it from its competitors. Recognition of the value this business brings to its customers has resulted in continued steady revenue growth and consistent operating margins.

2002 COMPARED TO 2001

Revenue declined modestly as reductions in the oilfield equipment rental business was only partially offset by increases in the industrial plant maintenance operation. The rental business saw revenue decline in conjunction with reduced Canadian drilling activity. This also impacted overall segment profitability as the rental business has higher margins than the plant maintenance business.

The plant maintenance business benefited from commissioning work performed at a new heavy oil upgrading plant and continued high levels of maintenance work at oil sands projects in northern Alberta. Operating margins were consistent with 2001. During the year, this business was expanded through the acquisition of a vacuum truck operation in northern Alberta.

OTHER ITEMS

2003 COMPARED TO 2002

CORPORATE AND OTHER EXPENSES

Expenses in the Corporate and Other segment increased by $4.1 million in 2003 compared to 2002. In contrast to last year, variable compensation payments tied to corporate performance increased in 2003. In addition, directors and officers insurance premiums have increased as a result of increased scrutiny of corporate governance practices of public equity market participants in North America and around the world. General and administrative expenses are also affected by the ongoing requirements surrounding Sarbanes-Oxley legislation.

INTEREST EXPENSE

Net interest expense remained constant at $35 million in 2003 and 2002. The impact of a $24 million increase in average debt outstanding was offset by reduced interest rates. As anticipated at the end of last year, interest coverage, defined as operating earnings divided by net interest expense, returned to 2001 levels. Interest coverage in 2003, 2002 and 2001 was approximately 9, 4 and 8 times respectively, and is expected to improve in 2004 with the free cash flow being generated.

INCOME TAXES

The Corporation's effective tax rate on earnings from continuing operations before income taxes, non-controlling interest and goodwill amortization in 2003 was 27.3% compared to 25.3% in 2002. The Alberta government reduced tax rates by 0.5% in each of 2003 and 2002. Canadian GAAP requires that the effect of these rate reductions be reflected as a decrease of future tax expense. The impact of these rate reductions on tax expense was similar in 2003 and 2002 at $3 million and $2.6 million respectively. However, given the higher before tax earnings in 2003 compared to 2002, the impact of the reductions on the Corporation's effective tax rate amounted to 1.1 percentage points in 2003 versus 2.1 in 2002.

Similarly, the Corporation's organization structure generates tax savings which, in absolute dollar terms, are relatively consistent from year to year. In 2003 these tax savings reduced the effective tax rate by 4.1 percentage points compared to 9.4 in 2002.

In the absence of the above factors the Corporation's effective tax rate would have been 32.6% in 2003 compared to 36.8% in 2002. This decrease is a reflection of the tax rate reduction initiatives of the Canadian Federal and Alberta Provincial governments and of the mix of income from different tax rate jurisdictions. The Corporation's effective tax rate is expected to be in the range of 32 - 34% in 2004.

2002 COMPARED TO 2001

CORPORATE AND OTHER EXPENSES

Net expenses for Corporate and Other declined by $1.2 million in 2002 compared to 2001. The primary reason was the reduction in variable compensation payments, which are tied to corporate performance.

INTEREST EXPENSE

Net interest expense declined by $7.9 million in 2002 as a result of reduced cost of borrowing due to declining interest rates and reduced borrowing levels. The average debt outstanding in 2002 was $568.4 million compared to $630.8 million in 2001. Interest coverage, defined as operating earnings divided by net interest expense, declined to 4 times in 2002 compared to 8 times in 2001.

INCOME TAXES

The effective tax rate on earnings before income taxes and goodwill amortization was 25.3% in 2002 compared to 35.6% in 2001. This reduction is due to the combined impact of tax rate reductions instituted by both the Alberta and Canadian governments and income taxed in jurisdictions with lower tax rates.

The effective tax rate in 2002 and 2001 was reduced by 0.5% and 2%, respectively, as a result of tax rate decreases enacted by the Alberta government in those years. Canadian GAAP required that the effect of these rate reductions be reflected as a decrease of future tax expense. The impact of these rate reductions was $2.6 million in 2002 and $6.0 million in 2001.

GOODWILL AMORTIZATION

In 2001, standards under both Canadian and U.S. GAAP were issued that eliminated the amortization of goodwill. These rules were adopted January 1, 2002 by the Corporation.

LIQUIDITY AND CAPITAL RESOURCES

Historically the oilfield services business has been very cyclical. In managing the risk of this volatility, Precision has adhered to its philosophy of maintaining a strong balance sheet. In addition, a strong balance sheet has allowed the Corporation to grow through acquisition by providing the financial flexibility to respond to attractive investment opportunities in the form of both acquisitions and internal growth. The following graph gives a historical perspective on how Precision has managed its cash flows and its debt levels.

[GRAPHIC OMMITTED - BAR/LINE CHART]
[INVESTMENT, CASH FLOW and CAPITALIZATION]

In 2004 the Corporation expects cash flow from operations to approach $400 million and net capital expenditures to amount to approximately $320 million. Another significant source of cash has been proceeds from the exercise of employee stock options, which has contributed an average of $23 million over each of the past three years ended December 31, 2003. In January 2004 the Corporation received $25 million from the exercise of options and the total amount for the year is anticipated to exceed $50 million.

As a Corporation with multiple lines of business, Precision also regularly assesses each unit from the perspective of strategic fit with future growth plans and profitability improvement initiatives. In 2003 the Corporation received $67 million from the sale of business units identified as non-core, primarily the gas compression business carried on by Energy Industries Inc. In February 2004, the Corporation completed the sale of substantially all of the assets of Fleet Cementers, Inc. realizing proceeds of approximately $26 million (US$20 million). A similar transaction is being pursued with respect to the Polar Completions division.

The Corporation exited 2003 with a long-term debt to long-term debt plus equity ratio of 19% and a ratio of long-term debt to trailing cash flow from operations of 155%. Both measures showed improvement over 2002 when these ratios amounted to 25% and 258% respectively. Continued improvement is expected in 2004, barring the impact of any significant acquisitions.

Precision has a number of lines of credit available to finance its activities, the most significant of which is a $350 million extendable revolving unsecured facility with a syndicate led by a Canadian chartered bank. At December 31, 2003, $140 million had been borrowed under this facility, the majority of which was used to finance working capital requirements. Canadian oilfield activity peaks in the first quarter of every year with a swift reduction in the second quarter due to spring breakup which precludes the movement of heavy equipment. As a result, accounts receivable are expected to increase by approximately $175 million during the first quarter with a similar reduction in the second quarter.

The Corporation's contractual obligations are outlined in the following table:

(STATED IN THOUSANDS OF CANADIAN DOLLARS)			Payments Due by P	
	Total	Less Than 1 Year	1 - 3 Years	4
Long-term debt	$ 415,951	$ 16,566	$ 239,570	
Capital lease obligations	629	592	37	
Operating leases	110,500	28,104	49,566	
Total contractual obligations	$ 527,080	$ 45,262	$ 289,173	

CRITICAL ACCOUNTING ESTIMATES

This Management's Discussion and Analysis of Precision's financial condition and results of operations is based on its consolidated financial statements which are prepared in accordance with Canadian generally accepted accounting principles. The Corporation's significant accounting policies are described in Note 1 to its consolidated financial statements. The preparation of these financial statements requires that certain estimates and judgments be made that affect the reported assets, liabilities, revenues and expenses. These estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Anticipating future events cannot be done with certainty, therefore these estimates may change as new events occur, more experience is acquired and as the Corporation's operating environment changes.

The accounting estimates believed to require the most difficult, subjective or complex judgments and which are the most critical to our reporting of results of operations and financial position are as follows:

ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE

The Corporation performs ongoing credit evaluations of our customers and grants credit based upon past payment history, financial condition and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. The Corporation's history of bad debt losses has been within expectations and generally limited to specific customer circumstances, however, given the cyclical nature of the oil and gas industry and the inherent risk of successfully finding hydrocarbon reserves, a customer's ability to fulfill its payment obligations can change suddenly and without notice. In addition, many of our customers are located in international areas that are inherently subject to risks of economic, political and civil instabilities, which may impact our ability to collect those accounts receivable.

EXCESS AND OBSOLETE INVENTORY PROVISIONS

Quantities of inventory on hand are regularly reviewed and provisions for excess or obsolete inventory are established based on historical usage patterns and known changes to equipment or processes that would render specific items no longer usable in operations. Significant or unanticipated changes in business conditions could impact the amount and timing of any additional provision for excess or obsolete inventory that may be required. The TS segment of our operations involves the application of new technologies in its efforts to deliver superior products to our customers and therefore has a greater risk of obsolescence due to finding or developing better products. The TS inventories comprise 87% of our total inventory of $99 million. These inventories are reviewed on a quarterly basis to assess the appropriateness of quantities and valuation.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, which includes property, plant and equipment, intangibles and goodwill, comprise the majority of the Corporation's assets. The carrying value of these assets is periodically reviewed for impairment or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. This requires the Corporation to forecast future cash flows to be derived from the utilization of these assets based upon assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future. During the fourth quarter of 2003 the Corporation completed its goodwill assessment incorporating the work of independent valuation experts resulting in the conclusion that there was no impairment of the carrying value.

DEPRECIATION AND AMORTIZATION

The Corporation's property, plant and equipment and its intangible assets are depreciated and amortized based upon estimates of useful lives and salvage values. These estimates may change as more experience is gained, market conditions shift or new technological advancements are made. The high depreciation expense associated with the TS segment is anticipated to improve with the optimization of equipment fleet sizes in each geographic region.

INCOME TAXES

The Corporation uses the liability method which takes into account the differences between financial statement treatment and tax treatment of certain transactions, assets and liabilities. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Valuation allowances are established to reduce future tax assets when it is more likely than not that some portion or all of the asset will not be realized. Estimates of future taxable income and the continuation of ongoing prudent tax planning arrangements have been considered in assessing the utilization of available tax losses. Changes in circumstances and assumptions and clarification of uncertain tax regimes may require changes to the valuation allowances associated with the Corporation's future tax assets.

NEW ACCOUNTING STANDARDS

In 2003 the Canadian Institute of Chartered Accountants issued revised recommendations with respect to accounting for stock based compensation. Effective January 1, 2004 the Corporation will retroactively apply these new standards to all common share purchase options granted in 2002 and subsequent years. Under the new standard, the fair value of common share purchase options will be calculated at the date of grant and that value will be recorded as compensation expense over the vesting period of those grants. Under the previous Canadian accounting standard, the Corporation had the choice of using the intrinsic value method of accounting for grants of common share purchase options, which resulted in no associated compensation expense being recognized, and disclosing in a note to the financial statements the impact of expensing the fair value of option grants. This alternative still exists under U.S. generally accepted accounting principles.

BUSINESS RISKS

CRUDE OIL AND NATURAL GAS PRICES

The price received by our customers for the crude oil and natural gas they produce has a direct impact on cash flow available for them to finance the acquisition of services provided by the Corporation.

Prices for crude oil are established in a worldwide market in which supply and demand are subject to a vast array of economic and political influences. This results in very volatile pricing; a prime example of which is West Texas Intermediate crude oil trading at US$12 per barrel in late 1998 and in excess of US$40 per barrel at one point in 2000. Natural gas prices are established in a more "local" North American market due to the requirement to transport this gaseous product in pressurized pipelines. Demand for natural gas is seasonal and is correlated to heating and electricity generation requirements. Demand for natural gas and fuel oils is also affected by consumers ability to switch from one to the other to take advantage of relative price variations.

The Corporation partially manages the risk of volatile commodity prices, and thus volatile demand for its services, by striving to maintain cost structures that are scalable to activity levels. However, cost structures in Contract Drilling are more variable in nature than those within TS. In addition, our strong balance sheet and adherence to conservative financing practices provide the resilience to withstand and benefit from downturns and upturns in the business cycle.

North American oilfield service activity is focused on natural gas. One objective of the Corporation's international growth initiatives is to increase our exposure to crude oil activity in less cyclical markets.

WORKFORCE AVAILABILITY

The Corporation's ability to provide reliable services is dependent upon the availability of well trained, experienced crews to operate our field equipment. We must also balance the requirement to maintain a skilled workforce with the need to establish cost structures that vary as much as possible with activity levels.

Within Contract Drilling, our most experienced people are retained during periods of low utilization by having them fill lower level positions on our field crews. The Corporation has established training programs for employees new to the oilfield service sector and we work closely with industry associations to ensure competitive compensation levels and to attract new workers to the industry as required.

Many of our Canadian businesses are currently experiencing manpower shortages. Over 50 drilling rigs have been running without relief crews, requiring them to shut down when crews need time off. Technology Services Canadian operations have been supported by additional people and equipment brought in from other regional operations to meet peak winter demand.

WEATHER

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 winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Corporation's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. The timing of freeze up and spring breakup affects the ability to move equipment in and out of these areas.

Working with customers, we strive to position equipment where possible such that it can be working on location during spring breakup, limiting the need to move equipment during this time period as much as possible. However, many uncontrollable factors affect our ability to plan in this fashion and the spring breakup, which can occur any time from late March through May, is traditionally our slowest time.

TECHNOLOGY

Technological innovation by oilfield service companies has improved the effectiveness of the entire exploration and production sector over the industry's 140-year history. Recently, development of directional and horizontal drilling, controlled pressure drilling, coil tubing drilling, and methods of providing real time data during drilling and production operations have increased production volumes and the recoverable amount of discovered reserves. Innovations such as 3-D and 4-D seismic have improved the success rate of exploration wells partially offsetting the decline in the quantity of drillable prospects.

Our ability to deliver more efficient services is critical to our continued success. The Corporation has continuously built upon its experience and teamed with customers to provide solutions to their unique problems. Our ability to design and build specialized equipment has kept us on the leading edge of technology. The success of our in-house designed and built Super Single(R) rig, both in Canada and abroad, is testimony of our dedication to these efforts.

The continued development of our Technology Services segment, and in particular the research and development work of Advantage R&D, Inc., puts the Corporation at another level where high-end technological innovation is paramount to success. We have a team of highly qualified experienced professionals, that has been assembled and working together for over two years in state-of-the-art testing facilities. The technologies they have developed over this time are at or near the commercial deployment stage, however, the success of future technological endeavours is never certain.

ACQUISITION INTEGRATION

The Corporation has worked towards its strategic objective of becoming an integrated service provider of sufficient size to benefit from economies of scale and to provide the foundation from which to pursue international opportunities. Business acquisitions have been an important tool in this pursuit and will continue to be so in the future. Continued successful integration of new businesses, people and systems is key to our future success.

FOREIGN OPERATIONS

The Corporation is working hard to export its expertise and technologies to oil and gas producing regions around the world. With this comes the risk of dealing with business and political systems that are much different than we are accustomed to in North America. The Corporation has hired employees who have experience working in the international arena and it is committed to recruiting qualified resident nationals on the staffs of all of its international operations.

FOREIGN CURRENCY EXCHANGE RATES

The Corporation has a number of sources of foreign currency exchange risk. On international contracts, attempts are made to structure revenue streams such that a portion sufficient to match local expenditures is denominated in the local currency, with the remainder being denominated in U.S. dollars. In addition, many of our business units buy a portion of their parts and supplies from suppliers in the United States. Also, the manufacturing effort associated with the deployment of the new suite of tools is taking place in the U.S. As a result, the Corporation is presently a net payer of U.S. dollars.

MERGER AND ACQUISITION ACTIVITY

Merger and acquisition activity in the oil and gas exploration and production sector can impact demand for our services as customers focus on reorganization activities prior to committing funds to significant drilling and maintenance projects. Future merger and acquisition activity could have a short-term impact on our business, but in the long-term should result in a stronger, more active market.

OUTLOOK

The fortunes of the oilfield services business are dictated by current and anticipated future crude oil and natural gas prices. The supply and demand fundamentals that have brought prices to today's relatively high levels are not expected to change rapidly. Energy price prognosticators have historically focused on the supply side of the equation where geopolitical events can have a large impact on short-term supply and where consensus was generally that there was abundant supply to fill long-term requirements. This view is now starting to be questioned in some corners. The surplus crude oil production capacity of the Middle East is being examined with suggestions that it is not as high as once thought. Similarly, the ability to rapidly increase production of the vast crude oil reserves in the former Soviet Union is being slowed by the recognition of the large amount of infrastructure investment required. Recent world events have also brought security of supply issues to the top of the energy agenda for many countries.

The North American natural gas market is also facing supply challenges. Natural gas directed drilling activity has increased significantly in recent years, however this has only served to maintain production. Liquefied natural gas, once viewed as the element that would increase gas supplies and thus reduce prices, is now being thought of as a requirement to fill the void between future demand requirements and conventional production capabilities. It is not anticipated that the price of natural gas will experience sustained downward pressure from the supply side of the pricing equation any time soon.

Many analysts are now looking at the demand elements of energy pricing economics. Commodity prices have risen over the last number of years in an environment where the major economies of the world were generally in a period of slow growth. This is changing as growth rates in the major industrialized countries are beginning to recover. Of particular importance to the outlook for the demand for energy is the emergence of countries such as China where economic expansion is bringing new found purchasing power to a very large population. On a per capita basis, these populations use energy at a fraction of the rate of other industrialized nations. This should change as new products, such as automobiles and electric appliances, are introduced to these markets which in turn should drive exponential growth in energy demand.

On the basis of these fundamentals, Precision is optimistic about the prospects to operate and grow our businesses profitably. Canada will play a major role in supplying the energy needs of North America and our dominant position in that market will continue to be the cornerstone of the Corporation. From this strong foundation we will continue to step out into international markets where the opportunities are such that operations can reach an efficient size in a reasonable time frame. The strength of our balance sheet will allow us to examine acquisition opportunities that may allow this process to be accelerated.

EXHIBIT 2

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to financial statements. When necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principles (GAAP) appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has prepared Management's Discussion and Analysis (MD&A). The MD&A is based upon the Corporation's financial results prepared in accordance with Canadian GAAP. The MD&A compares the audited financial results for the twelve months ended December 31, 2003 to December 31, 2002 and the twelve months ended December 31, 2002 to December 31, 2001. Note 15 to the consolidated financial statements describes the impact on the consolidated financial statements of significant differences between Canadian and United States GAAP.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

KPMG LLP, an independent firm of Chartered Accountants, was engaged, as approved by a vote of shareholders at the Corporation's most recent Annual and Special Meeting, to audit the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion.

The Audit Committee of the Board of Directors, which is comprised of three independent and unrelated directors who are not employees of the Corporation, has discussed the consolidated financial statements, including the notes thereto, with management and external Auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

/s/ Hank B. Swartout	/s/ Dale E. Tremblay
HANK B. SWARTOUT (signed) Chairman of the Board, President and Chief Executive Officer	DALE E. TREMBLAY (signed) Senior Vice President Finance and Chief Financial Officer

February 10, 2004

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Precision Drilling Corporation as at December 31, 2003 and 2002 and the consolidated statements of earnings and retained earnings and cash flow for each of the years in the three-year period ended December 31, 2003. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and 2002 and the results of its operations and its cash flow for each of the years in the three-year period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles.

/s/ KPMG LLP

KPMG LLP (signed)
Chartered Accountants
Calgary, Canada

February 10, 2004

CONSOLIDATED BALANCE SHEETS

As at December 31, (stated in thousands of dollars)	2003
ASSETS	
Current assets:	
Cash	$ 21,370
Accounts receivable	544,850
Income taxes recoverable	--
Inventory (NOTE 3)	99,088
Assets of discontinued operations (NOTE 20)	21,150
	686,458
Property, plant and equipment, net of accumulated depreciation (NOTE 4)	1,588,250
Intangibles, net of accumulated amortization of $19,844 (2002 - $13,792)	65,262
Goodwill	527,443
Other assets (NOTE 5)	8,932
Assets of discontinued operations (NOTE 20)	32,040
	$2,908,385
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Bank indebtedness (NOTE 6)	$ 147,909
Accounts payable and accrued liabilities (NOTE 18)	260,545
Incomes taxes payable	7,373
Current portion of long-term debt (NOTE 7)	17,158
Liabilities of discontinued operations (NOTE 20)	5,212
	438,197
Long-term debt (NOTE 7)	399,422

Future income taxes (NOTE 11)	320,599
Future income taxes of discontinued operations (NOTE 20)	1,107
Non-controlling interest	3,771
Shareholders' equity:	
Share capital (NOTE 8)	936,529
Retained earnings	808,760
Commitments and contingencies (NOTES 10 AND 19)	1,745,289
	$2,908,385

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Approved by the Board:

/s/ Hank B. Swartout

HANK B. SWARTOUT (signed)
Director

/s/ H. Garth Wiggins

H. GARTH WIGGINS (signed)
Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Years ended December 31, (stated in thousands of dollars, except per share amounts)	2003	2002
Revenue	$ 1,917,933	$ 1,567,50
Expenses:		
Operating	1,273,434	1,094,84
General and administrative	136,747	144,46
Depreciation and amortization	170,788	133,38
Research and engineering	42,419	34,86
Foreign exchange	(2,565)	4,38
	1,620,823	1,411,94
Operating earnings	297,110	155,55
Interest:		
Long-term debt	34,492	34,37
Other	1,425	1,33
Income	(867)	(58
Dividend income	--	(3
Gain on disposal of investments	(3,355)	(90
Earnings from continuing operations before income taxes, non-controlling interest and goodwill amortization	265,415	121,37
Income taxes: (NOTE 11)		
Current	59,681	64,76
Future	12,851	(34,07

	72,532	30,69
Earnings from continuing operations before non-controlling interest and goodwill amortization	192,883	90,68
Non-controlling interest	1,752	1,15
Earnings from continuing operations before goodwill amortization	191,131	89,53
Goodwill amortization, net of tax (NOTE 2)	--	-
Earnings from continuing operations	191,131	89,53
Gain on disposal of discontinued operations (NOTE 20)	17,460	-
Discontinued operations, net of tax (NOTE 20)	(19,915)	1,73
Net earnings	188,676	91,26
Retained earnings, beginning of year (NOTE 2)	620,084	528,81
Retained earnings, end of year	$ 808,760	$ 620,08
Earnings per share from continuing operations before goodwill amortization (NOTE 12)		
Basic	$ 3.51	$ 1.6
Diluted	$ 3.46	$ 1.6
Earnings per share from continuing operations (NOTE 12)		
Basic	$ 3.51	$ 1.6
Diluted	$ 3.46	$ 1.6
Earnings per share: (NOTE 12)		
Basic	$ 3.47	$ 1.7
Diluted	$ 3.41	$ 1.6

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOW

Years ended December 31, (stated in thousands of dollars)	2003	2002
		(REST
Cash provided by (used in):		
Continuing operations:		
Earnings from continuing operations	$ 191,131	$ 89,534
Items not affecting cash:		
Depreciation and amortization	170,788	133,384
Goodwill amortization	--	--
Future income taxes	12,851	(34,072)
Gain on disposal of investments	(3,355)	(900)
Amortization of deferred financing costs	1,286	1,294
Unrealized foreign exchange loss (gain) on long-term monetary items	(16,433)	(2,039)

Non-controlling interest	1,752	1,151
Funds provided by continuing operations	358,020	188,352
Changes in non-cash working capital balances (NOTE 18)	(101,146)	(601)
	256,874	187,751
Discontinued operations: (NOTE 20)		
Funds provided by (used in) discontinued operations	(5,692)	6,868
Changes in non-cash working capital balances of discontinued operations	7,245	4,604
	1,553	11,472
Investments:		
Business acquisitions, net of cash acquired (NOTE 14)	(6,800)	(4,594)
Purchase of property, plant and equipment	(314,921)	(267,794)
Purchase of intangibles	(6)	(4,198)
Proceeds on sale of property, plant and equipment	24,423	32,449
Proceeds on disposal of investments	10,966	1,872
Investments	(1,080)	(5,672)
Proceeds on disposal of discontinued operations	67,274	--
	(220,144)	(247,937)
Financing:		
Increase in long-term debt	85,228	119,380
Repayment of long-term debt	(145,657)	(102,275)
Deferred financing costs on long-term debt	--	--
Issuance of common shares on exercise of options	23,613	25,756
Issuance of common shares on exercise of warrants	--	--
Change in bank indebtedness	2,588	9,937
	(34,228)	52,798
Increase (decrease) in cash	4,055	4,084
Cash, beginning of year	17,315	13,231
Cash, end of year	$ 21,370	$ 17,315

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(TABULAR AMOUNTS STATED IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)

Precision Drilling Corporation (the "Corporation") is a global oilfield services company providing a broad range of drilling, production and evaluation services with focus on fulfilling customer needs through fit-for-purpose technologies.

The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in Canada. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, all of which, except one, are wholly-owned.

(b) INVENTORY:

Inventory is carried at the lower of average cost and replacement cost.

(c) PROPERTY, PLANT AND EQUIPMENT:

Drilling rig equipment is depreciated by the unit-of-production method based on 3,650 drilling days with a 20% salvage value. Drill pipe and drill collars are depreciated over 1,100 drilling days and have no salvage value. Service rig equipment is depreciated by the unit-of-production method based on 24,000 hours for single and double rigs and 48,000 hours for heavy double rigs. Service rigs have a 20% salvage value.

Field technical equipment is depreciated by the straight-line method over periods ranging from 2 to 10 years.

Rental equipment is depreciated by the straight-line method over periods ranging from 10 to 15 years. Other equipment is depreciated by the straight-line method over periods ranging from 3 to 10 years.

Light duty vehicles are depreciated by the straight-line method over 4 years. Heavy-duty vehicles are depreciated by the straight-line method over periods ranging from 7 to 10 years.

Buildings are depreciated by the straight-line method over periods ranging from 10 to 30 years.

(d) INTANGIBLES:

Intangibles, which are comprised of acquired patents, are recorded at cost and amortized by the straight-line method over their useful lives ranging from 5 to 15 years.

(e) GOODWILL:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting segments that are expected to benefit from the business combination.

Goodwill is not amortized and is tested for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting segment is compared with its fair value. When the fair value of a reporting segment exceeds its carrying amount, goodwill of the reporting segment is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting segment exceeds its fair value, in which case the implied fair value of the reporting segment's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting segment as if it was the purchase price. When the carrying amount of the reporting segment's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

(f) INVESTMENTS:

Investments in shares of associated companies, over which the Corporation has significant influence, are accounted for by the equity method. Other investments are carried at cost. If there are other than temporary declines in value, these investments are written down to their net realizable value.

(g) DEFERRED FINANCING COSTS:

Costs associated with the issuance of long-term debt are deferred and amortized by the straight-line method over the term of the debt. The amortization is included in interest expense.

(h) INCOME TAXES:

The Corporation follows the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. Income tax expense is the sum of the Corporation's provision for current income taxes and the difference between opening and ending balances of the future income tax assets and liabilities.

(i) REVENUE RECOGNITION:

The Corporation's services are generally sold based upon purchase orders or contracts with the customer that include fixed or determinable prices based upon daily, hourly or job rates. Customer contract terms do not include provisions for significant post-service delivery obligations. Revenue is recognized when services and equipment rentals are rendered and only when collectability is reasonably assured.

(j) RETIREMENT ALLOWANCE:

The Corporation has entered into an employment agreement with a senior officer, which provides for a one-time payment upon retirement. The amount of this retirement allowance increases by a fixed amount for each year of service over a ten year period commencing April 30, 1996. The estimated cost of this benefit is accrued and charged to earnings on a straight-line basis over the 10-year period.

(k) FOREIGN CURRENCY TRANSLATION:

Accounts of foreign operations, all of which are considered financially and operationally integrated, are translated to Canadian dollars using average exchange rates for the year for revenue and expenses. Monetary assets and liabilities are translated at the year-end current exchange rate and non-monetary assets and liabilities are translated using historical rates of exchange. Gains or losses resulting from these translation adjustments are included in net earnings.

Transactions in foreign currencies are translated at rates in effect at the time of the transaction. Monetary assets and liabilities are translated at current rates. Gains and losses are included in net earnings.

(l) STOCK-BASED COMPENSATION PLANS:

The Corporation has equity incentive plans, which are described in Note 8. No compensation expense is recognized for these plans when stock options are issued. Any consideration received on exercise of the stock options is credited to share capital. The Corporation discloses the pro forma effect of stock options grants, had those grants been accounted for following the fair value method.

Effective January 1, 2004, the Corporation will retroactively adopt new required Canadian accounting standards that will apply the fair value method to all stock options granted in 2002 and subsequent years.

Under the fair value method, the Corporation will calculate the fair value of stock option grants and record that fair value as compensation expense over the vesting period of those grants.

(m) RESEARCH AND ENGINEERING:

Research and engineering costs are charged to income as incurred. Costs associated with the development of new operating tools and systems are expensed during the period unless the recovery of these costs can be reasonably assured given the existing and anticipated future industry conditions. Upon successful completion and field testing of the tools any deferred costs are transferred to the related capital asset accounts.

(n) PER SHARE AMOUNTS:

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated based on the treasury stock method, which assumes that any proceeds obtained on exercise of options would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the net change.

(o) COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the current financial statement presentation.

NOTE 2: ACCOUNTING CHANGES

(a) ACCOUNTING FOR BUSINESS COMBINATIONS, GOODWILL AND OTHER INTANGIBLE ASSETS:

Effective January 1, 2002, the Corporation prospectively adopted the new Canadian accounting standards relating to business combinations and goodwill and other intangible assets, as outlined in Note 1(e).

(b) FOREIGN CURRENCY TRANSLATION:

Effective January 1, 2002, the Corporation adopted, on a retroactive basis, a new Canadian accounting standard whereby unrealized gains or losses are not deferred and amortized as previously required but rather expensed as incurred.

As a result of this change, unrealized gains and losses related to translation of foreign currency denominated long-term debt are no longer deferred and amortized over the term of the debt but are expensed as incurred. Prior period results have been restated to reflect this change. The retroactive application of this standard has reduced the opening balance of retained earnings by $1.6 million and $115,000 at January 1, 2002 and January 1, 2001 respectively.

NOTE 3: INVENTORY

	2003	2002
Operating supplies and spare parts	$ 95,254	$ 86,002
Manufacturing parts and materials	3,834	6,742
	$ 99,088	$ 92,744

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

2003	COST	ACCUMULATED DEPRECIATION	
Rig equipment	$1,128,300	$ 324,097	
Field technical equipment	601,752	113,617	
Rental equipment	77,640	30,128	
Other equipment	201,533	95,980	
Vehicles	88,329	23,444	
Buildings	77,839	15,799	
Land	15,922	--	
	$ 2,191,315	$ 603,065	$

2002	Cost	Accumulated Depreciation	
Rig equipment	$ 1,059,772	$ 267,174	
Field technical equipment	472,957	65,528	
Rental equipment	76,328	27,900	
Other equipment	163,361	78,890	
Vehicles	77,360	19,240	
Buildings	64,211	12,967	
Land	14,983	--	
	$ 1,928,972	$ 471,699	$

NOTE 5: OTHER ASSETS

	2003	2002
Investments, at cost less provision for impairment	$ 3,539	$ 8,960
Investments, at equity	310	2,114
Deferred financing costs, net of accumulated amortization	5,083	6,369
	$ 8,932	$ 17,443

NOTE 6: BANK INDEBTEDNESS

The Corporation has available a revolving credit loan facility of US$25.0 million. Advances under this facility bear interest at the bank's prime lending rate less 0.75%. The facility is renewable and extendable annually at the option of the lenders. As at December 31, 2003 $17.9 million (US$13.7 million) was drawn on this facility as compared to $14.3 million (US$9.2 million) at December 31, 2002. Availability of this facility is further reduced by outstanding letters of credit in the amount of $1.1 million (US$850,000).

As at December 31, 2003 the Corporation has included $130.0 million (December 31, 2002 - $80.0 million) of its extendable revolving unsecured facility in bank indebtedness, as the funds were used to finance working capital.

NOTE 7: LONG-TERM DEBT

	2003	2
Unsecured debentures - Series 1	$ 200,000	$ 200,
Unsecured debentures - Series 2	150,000	150,
EDC facility (2003 - US$2,639; 2002 - US$7,917)	3,459	12,
EDC facility (2003 - US$20,000; 2002 - US$30,000)	26,214	46,
EDC facility (US$20,190)	26,463	
Extendable revolving unsecured facility	9,815	128,
Other	629	4,
	416,580	541,
Less amounts due within one year	17,158	27,
	$ 399,422	$ 514,

The $200.0 million 6.85% Series 1 unsecured debentures mature June 26, 2007 and have an effective interest rate of 7.44% after taking into account deferred financing costs. The debentures are redeemable at any time at the option of the Corporation upon payment of a redemption price equal to the greater of an amount calculated with reference to the yield on a Government of Canada bond with the same maturity, and par.

The $150.0 million 7.65% Series 2 unsecured debentures mature October 27, 2010 and have an effective interest rate of 7.71% after taking into account deferred financing costs. The debentures are redeemable at any time at the option of the Corporation upon payment of a redemption price equal to the greater of an amount calculated with reference to the yield on a Government of Canada bond with the same maturity, and par.

The $3.5 million unsecured term financing facility with Export Development Canada (EDC) is repayable in semi-annual installments, matures on January 20, 2004 and bears interest at six-month U.S. Libor plus applicable margin. The margin is dependent upon the Corporation's credit rating, which at December 31, 2003 resulted in a margin of 0.8%.

The $26.2 million unsecured term financing facility with EDC is repayable over five years in semi-annual installments, matures September 15, 2005 and bears interest at six-month U.S. Libor plus applicable margin. The margin is dependent upon the Corporation's credit rating, which at December 31, 2003 results in a margin of 0.9%.

The $26.5 million unsecured financing facility with EDC matures on October 24, 2004 and bears interest at six-month U.S. Libor plus applicable margin. The margin is dependent upon the Corporation's margin on its $350.0 million extendable revolving unsecured credit facility, which at December 31, 2003 resulted in a margin of 0.8%. The facility is extendable upon mutual agreement between the Corporation and the Lender, or can be converted, at the Corporation's option, to a term loan repayable in two equal semi-annual installments, with the first payment due April 25, 2005.

The Corporation has an extendable revolving unsecured facility of $350.0 million (or U.S. equivalent) with a syndicate led by a Canadian chartered bank. Advances are available at either the bank's prime lending rate, U.S. base rate, U.S. Libor plus applicable margin or Bankers' Acceptance plus applicable margin or in combination. The applicable margin is dependent on the Corporation's credit rating and the percentage of the total facility outstanding, which at December 31, 2003 resulted in a margin of 0.8%. The facility is extendable annually at the option of the lenders. Should this facility not be extended, outstanding amounts will be transferred to a two-year term facility repayable in equal quarterly installments. As at December 31, 2003 the Corporation had drawn $139.8 million under this facility, of which $130.0 million has been included in bank indebtedness as the funds were used to finance working capital.

Principal repayments over the next five years are as follows:

2004	$ 17,158
2005	39,588
2006	19
2007	200,000
2008	--
Thereafter	159,815
	$ 416,580

NOTE 8: SHARE CAPITAL

(a) AUTHORIZED:

- unlimited number of non-voting cumulative convertible redeemable preferred shares without nominal or par value;
- unlimited number of common shares without nominal or par value.

(b) ISSUED:

Common Shares:	Number	Amount

Balance, December 31, 2000	52,283,053	$ 864,495
Options exercised	855,935	20,294
Warrants exercised	37,050	2,371
Balance, December 31, 2001	53,176,038	$ 887,160
Options exercised	890,715	25,756
Balance, December 31, 2002	54,066,753	$ 912,916
Options exercised	778,925	23,613
BALANCE, DECEMBER 31, 2003	54,845,678	$ 936,529

(c) EQUITY INCENTIVE PLANS:

The Corporation has equity incentive plans under which a combined total of 3,966,711 options to purchase common shares are reserved to be granted to employees and directors. Of the amount reserved, 3,393,194 options have been granted. Under these plans, the exercise price of each option equals the market value of the Corporation's stock on the date of the grant and an option's maximum term is 10 years. Options vest over a period from 1 to 4 years from the date of grant as employees or directors render continuous service to the Corporation.

A summary of the equity incentive plans as at December 31, 2001, 2002 and 2003, and changes during the periods then ended is presented below:

	Options Outstanding	Range of Exercise Price
Outstanding at December 31, 2000	4,474,103	$ 13.50 - 54.20
Granted	1,055,350	31.05 - 65.90
Exercised	(855,935)	13.50 - 44.38
Cancelled or expired	(267,237)	25.50 - 52.39
Outstanding at December 31, 2001	4,406,281	$ 13.50 - 65.90
Granted	786,050	41.06 - 52.61
Exercised	(890,715)	13.50 - 44.38
Cancelled or expired	(182,288)	25.50 - 65.90
Outstanding at December 31, 2002	4,119,328	$ 13.50 - 65.90
Granted	416,000	49.28 - 51.04
Exercised	(778,925)	13.50 - 51.00
Cancelled or expired	(363,209)	31.05 - 65.90

OUTSTANDING AT DECEMBER 31, 2003	3,393,194	$ 13.50 - 65.90

The range of exercise prices for options outstanding at December 31, 2003 are as follows:

		Total Options Outstanding	
			Weighted
		Weighted	Average
		Average	Remaining
		Exercise	Contractual
Range of Exercise Prices:	Number	Price	Life (Years
$ 13.50 - 19.99	161,486	$ 14.12	0.39
20.00 - 29.99	51,300	28.98	0.79
30.00 - 39.99	1,089,665	34.96	1.21
40.00 - 49.99	1,029,943	42.86	3.34
50.00 - 59.99	1,038,300	51.98	4.69
60.00 - 65.90	22,500	65.81	2.55
$ 13.50 - 65.90	3,393,194	$ 41.69	2.89

In accordance with the Corporation's stock option plans, these options have an exercise price equal to the market price at date of grant. The per share weighted average fair value of stock options granted during the year ended December 31, 2003 was $19.48 (2002 - $20.85) based on the date of grant using the Black-Scholes option pricing model with the following assumptions: average risk-free interest rate of 3.47% (2002 - 4.53%), average expected life of 3.42 years (2002 - 3.88 years) and expected volatility of 47% (2002 - 49%).

Had the Corporation determined compensation costs based on the fair value at the date of grant for stock options granted since January 1, 2002; net earnings and earnings per share (EPS) would have decreased to the pro forma amounts indicated below. These pro forma amounts reflect compensation cost amortized over the option's vesting period.

	2003		
Years Ended December 31	AS REPORTED	PRO FORMA	As Re

Net earnings	$ 188,676	$ 178,993	$
Basic EPS	$ 3.47	$ 3.29	$
Diluted EPS	$ 3.41	$ 3.24	$

NOTE 9: EMPLOYEE BENEFIT PLANS

The Corporation has a defined contribution employee benefit plan covering a significant number of its employees. The Corporation matches individual employee contributions up to 5% of the employee's compensation. Employer matching contributions under the plan totalled $7.5 million for the year ended December 31, 2003 (year ended December 31, 2002 - $6.9 million; year ended December 31, 2001 - $6.3 million).

With respect to the retirement allowance described in Note 1(j), the Corporation charged $351,000 to earnings in 2003 (2002 - $371,000; 2001 - $360,000) and at December 31, 2003 had accrued a total of $2.5 million, which amount is included in accounts payable and accrued liabilities.

NOTE 10: COMMITMENTS

The Corporation has commitments for operating lease agreements, primarily for vehicles and office space, in the aggregate amount of $110.5 million. Payments over the next five years are as follows:

2004	$ 28,104
2005	21,439
2006	15,948
2007	12,179
2008	11,168

Rent expense included in the statements of earnings is as follows:

2003	$ 23,924
2002	18,085
2001	16,923

NOTE 11: INCOME TAXES

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

2003

Earnings before income taxes, non-controlling interest, discontinued operations and goodwill amortization	$ 265,415	$
Income tax rate	36%	
Expected income tax provision	$ 95,549	$
Add (deduct):		
Non-deductible expenses	2,380	
Income taxed in jurisdictions with lower tax rates	(14,062)	
Non-taxable disposition of investment	(2,327)	
Other	(6,020)	
	75,520	
Reduction of future tax balances due to substantively enacted tax rate reductions	(2,988)	
	$ 72,532	$

In both 2003 and 2002, the Province of Alberta enacted a 0.5% reduction in tax rates and in 2001 it enacted a 2% reduction in tax rates. These rate changes have been reflected as a reduction in future tax expense in 2003, 2002 and 2001.

The Corporation's operations are complex and computation of the provision for income taxes involves tax interpretations, regulations and legislation that are continually changing. There are tax matters that have not yet been confirmed by taxation authorities, however, management believes the provision for income taxes is adequate.

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

	2003
Liabilities:	
Property, plant and equipment and intangibles	$ 290,371
Assets held in partnership with different tax year	92,163
Deferred financing costs	1,774
	$ 384,308
Assets:	
Losses carried forward	$ 63,431
Accrued liabilities	278
	63,709
	$ 320,599

The Corporation has available losses of $251.4 million of which the benefit of $181.9 million has been recognized. These losses expire depending upon the year incurred and various limitations under tax codes in the jurisdictions in which the losses were incurred.

NOTE 12: PER SHARE AMOUNTS

Per share amounts have been calculated on the weighted average number of common shares outstanding. The weighted average shares outstanding for the year ended December 31, 2003 was 54,430,468 (year ended

December 31, 2002 - 53,701,873; year ended December 31, 2001 - 52,952,879).

Diluted per share amounts reflect the dilutive effect of the exercise of the options outstanding. The diluted shares for the year ended December 31, 2003 was 55,299,920 (year ended December 31, 2002 - 54,815,167; year ended December 31, 2001 - 54,198,348).

NOTE 13: SIGNIFICANT CUSTOMERS

During the years ended December 31, 2003, 2002 and 2001, no one customer accounted for more than 10% of the Corporation's revenue.

NOTE 14: ACQUISITIONS

Acquisitions have been accounted for by the purchase method with results of operations acquired included in the financial statements from the effective date of acquisition. The details of acquisitions for the past three years are as follows.

In February 2003, the Corporation completed the acquisition of the operating assets of MacKenzie Caterers (1984) Ltd., a provider of oilfield camp and catering services in western Canada, for $6.8 million. No value was assigned to intangibles or goodwill.

During the year ended December 31, 2002, the Corporation completed the following business acquisitions:

(a) Acquisition of the business assets of NightHawk Vacuum Services Ltd. (NightHawk) in September 2002. NightHawk provides oilfield vacuum services in northern Alberta and British Columbia.

(b) Paid additional consideration in conjunction with an acquisition made in 2001. This additional consideration was payable based on the development of a commercially viable technology.

	NightHawk	Other
Net assets acquired at assigned values:		
Working capital	$ (47)	$ --
Property, plant and equipment	3,097	--
Goodwill	--	1,544
	3,050	1,544
Consideration:		
Cash	$ 3,050	$ 1,544

During the year ended December 31, 2001, the Corporation completed business acquisitions, the most significant of which was the acquisition of all the issued and outstanding shares of BecField Drilling Services Ltd. (BecField) in January 2001. BecField provides directional drilling and measurement-while-drilling services through its technical field and support personnel to the onshore and offshore oil and gas industry. It has established operations in Europe and the Middle East.

	BecField	Other
Net assets acquired at assigned values:		
Working capital	$ 2,446(a)	$ 1,136
Property, plant and equipment	5,036	4,074
Goodwill	23,877	2,783
Future income taxes	--	(800)
	$ 31,359	$ 7,193
Consideration:		
Cash	$ 31,359	$ 7,193

(a) INCLUDES CASH OF $ 1,880
(b) INCLUDES CASH OF $ 1,115

NOTE 15: UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These financial statements have been prepared in accordance with Canadian GAAP which, in the case of the Corporation conform with United States generally accepted accounting principles (U.S. GAAP) in all material respects, except as follows:

a) INCOME TAXES:

In 2000 the Corporation adopted the liability method as described in Note 1 without restatement of prior years. As a result, the Corporation recorded an adjustment to retained earnings and future tax liability in the amount of $70 million at January 1, 2000. U.S. GAAP required the use of the liability method prescribed in the Statement of Financial Accounting Standards (SFAS) No. 109, which substantially conforms with the Canadian GAAP accounting standard adopted in 2000. Application of U.S. GAAP in years prior to 2000 would have resulted in $70 million of additional goodwill being recognized at January 1, 2000 as opposed to an implementation adjustment to retained earnings allowed under Canadian GAAP. In 2001, 2002 and 2003 the U.S. GAAP financial statements would reflect an increase in goodwill of $63 million and a corresponding increase in retained earnings. An additional charge to earnings of $3.5 million in 2001 would be required related to the amortization of the goodwill.

Under Canadian GAAP, future tax liabilities and assets are calculated by reference to current tax legislation and proposed legislation that is considered substantively enacted but not yet enacted into law. U.S. GAAP requires that only enacted income tax legislation be used for calculation of future tax amounts. In 2000 the Federal Government of Canada introduced tax rate reductions that were substantively enacted at December 31, 2000 but that were not passed into legislation until 2001. The resulting reduction of future tax balances recognized under Canadian GAAP in 2000 would not be recognized under U.S. GAAP until 2001.

The application of U.S. accounting principles would have the following impact on the consolidated financial statements:

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31,	2003	2
Net earnings under Canadian GAAP	$ 188,676	$ 91,
Adjustments under U.S. GAAP:		
Goodwill amortization	--	
Income tax rate	--	
Net income and comprehensive income under U.S. GAAP	$ 188,676	$ 91,
Earnings per share under U.S. GAAP:		
Basic	$ 3.47	$ 1
Diluted	$ 3.41	$ 1

BALANCE SHEETS

	DECEMBER 31, 2003	
	AS REPORTED	U.S. GAAP
Current assets	$ 686,458	$ 686,458
Property, plant and equipment	1,588,250	1,588,250
Intangibles	65,262	65,262
Goodwill	527,443	590,472
Other assets	8,932	8,932
Long-term assets of discontinued operations	32,040	32,040
	$2,908,385	$2,971,414
Current liabilities	$ 438,197	$ 438,197
Long-term debt	399,422	399,422
Future income taxes	320,599	320,599
Liabilities of discontinued operations	1,107	1,107
Non-controlling interest	3,771	3,771
Shareholders' equity	1,745,289	1,808,318
	$2,908,385	$2,971,414

CONSOLIDATED STATEMENT OF CASH FLOWS

The application of U.S. accounting principles would have no impact on the consolidated statement of cash flows.

STOCK COMPENSATION

In 2003 and 2002 Canadian GAAP and U.S. GAAP were substantially the same with respect to stock compensation. Prior to 2002, U.S. GAAP required the disclosure of the impact of using fair value accounting for stock options if in fact this alternative was not used. Canadian GAAP did not require such disclosure. The per share weighted average fair value of stock options granted during the year ended December 31, 2001 was $19.87 on the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 5.75%, expected life of 5 years and expected volatility of 49%.

Had the Corporation determined compensation cost based on the fair value at the date of grant for its stock options under SFAS 123, net earnings in accordance with U.S. GAAP would have decreased by $12.2 million to $190.8 million (basic EPS - $3.60) for the year ended December 21, 2001.

NOTE 16: SEGMENTED INFORMATION

The Corporation operates in three industry segments. Contract

Drilling includes drilling rigs, service rigs and hydraulic well assist snubbing units, procurement and distribution of oilfield supplies, camp and catering services, and manufacture, sale and repair of drilling equipment. Technology Services includes wireline, directional drilling, measurement-while-drilling/logging-while-drilling services, separation services, and the design, manufacture and marketing of polycrystalline diamond compact drill bits. Rental and Production includes oilfield equipment rental services and industrial process services.

	CONTRACT	TECHNOLOGY	RENTAL AND
2003	DRILLING	SERVICES	PRODUCTION
Revenue	$ 992,824	$ 714,385	$ 210,724
Operating earnings	285,753	4,842	39,350
Research and engineering	--	42,419	--
Depreciation and amortization	77,725	75,578	12,533
Total assets	1,423,036	1,257,235	166,300
Goodwill	257,531	241,340	28,572
Capital expenditures*	99,034	177,756	15,158

	Contract	Technology	Rental and
2002	Drilling	Services	Production
Revenue	$ 770,147	$ 603,088	$ 192,840
Operating earnings	184,553	(31,733)	30,090
Research and engineering	--	34,862	--
Depreciation and amortization	62,524	53,347	13,159
Total assets	1,312,459	1,127,550	240,842
Goodwill	257,531	241,340	28,572
Capital expenditures*	50,686	189,092	22,346

	Contract	Technology	Rental and
2002	Drilling	Services	Production
Revenue	$ 1,004,265	$ 614,152	$ 194,567
Operating earnings	298,737	52,257	39,365
Research and engineering	--	31,677	--
Depreciation and amortization	75,170	47,694	13,388
Total assets	1,367,682	987,061	241,044
Goodwill	257,531	239,796	28,572
Capital expenditures*	122,575	203,547	27,352

* EXCLUDES BUSINESS ACQUISITIONS

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

2003	CANADA	INTERNATIONAL	TOTAL
Revenue	$ 1,349,565	$ 568,368	$ 1,917,933
Assets	2,121,832	786,553	2,908,385

2002	Canada	International	Total
Revenue	$ 1,022,489	$ 545,017	$ 1,567,506
Assets	2,081,200	678,815	2,760,015

2001	Canada	International	Total
Revenue	$ 1,320,989	$ 494,219	$ 1,815,208
Assets	2,175,877	475,481	2,651,358

NOTE 17: FINANCIAL INSTRUMENTS

(a) FAIR VALUE

The carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short period to maturity of the instruments. The fair value of long-term debt, exclusive of the unsecured debentures, approximates its carrying value as it bears interest at floating rates. The $200 million Series 1 debentures have a fair value of approximately $216.2 million as at December 31, 2003 (December 31, 2002 - $210.5 million) and the $150 million Series 2 unsecured debentures have a fair value of approximately $170.8 million at December 31, 2003 (December 31, 2002 - $161.1 million). As at December 31, 2003 investments have a carrying value of $3.8 million (December 31, 2002 - $11.1 million) and a fair value of approximately $5.2 million (December 31, 2002 - $12.7 million).

(b) CREDIT RISK

Accounts receivable includes balances from a large number of customers. The Corporation assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Corporation views the credit risks on these amounts as normal for the industry. As at December 31, 2003 the Corporation's allowance for doubtful accounts was $16.0 million (December 31, 2002 - $14.9 million).

(c) INTEREST RATE RISK

The Corporation manages its exposure to interest rate risks through a combination of fixed and floating rate borrowings. As at December 31, 2003, 39% of its total borrowings was at floating rates.

(d) FOREIGN CURRENCY RISK

The Corporation is exposed to foreign currency fluctuations in relation to its international operations; however, management believes this exposure is not material to its overall operations.

NOTE 18: SUPPLEMENTAL INFORMATION

	2003	20
Cash interest paid	$ 36,721	$ 35,6
Cash income taxes paid	43,994	89,8
Components of change in non-cash working capital balances:		
Accounts receivable	$(113,519)	$ 14,2
Inventory	(6,344)	(13,9
Accounts payable and accrued liabilities	2,632	20,0
Income taxes payable	16,085	(20,8
	$(101,146)	$ (6

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

	200
Accounts payable	$ 62,95
Accrued liabilities	
Payroll	43,90
Other	153,68
	$ 260,54

NOTE 19: CONTINGENCIES

The Corporation, through the performance of its services and product sales obligations, is sometimes named as a defendant in litigation. One such case relates to a former agent of the Corporation in Indonesia who filed a suit in Indonesian courts seeking a pronouncement that they be the sole agent for certain of the Corporation's product lines in Indonesia and they are seeking damages of US$17.5 million. This matter is at trial and all written evidence and oral testimony has been presented by all parties. The outcome of this and other claims is not determinable at this time; however, their ultimate resolution is not expected to have a material adverse effect on the Corporation.

The Corporation maintains a level of insurance coverage deemed appropriate by management and for matters for which insurance coverage can be acquired.

NOTE 20: DISCONTINUED OPERATIONS

On March 6, 2003, the Corporation sold Energy Industries Inc., a wholly-owned subsidiary included in the Rental and Production segment, for $60.0 million cash. The effective date of the transaction was January 1, 2003. Energy Industries designed and manufactured modularized natural gas compression packages. Although Energy Industries had been profitable since its acquisition by Precision in 1996, the compression packaging business was determined to be not core to the Corporation's energy services globalization strategy.

In May 2003 the Corporation sold its 50% interest in Energy Equipment Rentals General Partnership ("EER") and Oil Drilling Exploration (Argentina) SA ("OD&E") for cash proceeds of $6.9 million, net of transaction costs. Both entities were components of the Contract Drilling segment.

The review of the business plan for the Technology Services segment was completed in the fourth quarter of 2003. One of the outcomes of this process was the identification of two product lines, namely pressure pumping and completion services carried on by the Fleet Cementers and Polar Completions divisions respectively, as being not core to the segment's ongoing growth initiatives. As a result, a program has been initiated to dispose of these businesses and discussions are being held with interested parties.

Results of the operations of these businesses have been classified as results of discontinued operations. The following table provides additional information with respect to amounts included in the results of discontinued operations:

	2003	2002
Gain on disposal of Energy Industries	$ 13,071	$ --
Gain on disposal of EER and OD&E	4,389	--
	$ 17,460	$ --
Revenue		
Gas compression	$ --	$ 81,563
Pressure pumping and completion services	48,150	36,279
Other	560	3,802

Discontinued operations before income taxes	$ 48,710	$ 121,644
Results of operations before income taxes		
Gas compression	$ --	$ 13,545
Pressure pumping and completion services	(15,585)	(9,042)
Other	49	(1,154)
Writedown of assets held for sale	(10,799)	--
	(26,335)	3,349
Income tax expense (recovery)	(6,420)	1,618
Discontinued operations	$ (19,915)	$ 1,731

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The following table provides additional information with respect to amounts included in the balance sheet as assets/liabilities held for sale:

	2003	
Accounts receivable	$ 7,157	$
Inventory	12,482	
Other	1,511	
	$ 21,150	$
Capital assets	$ 27,010	$
Goodwill	4,267	
Other	763	
	$ 32,040	$
Accounts payable	$ 4,473	$
Other	739	
	$ 5,212	$
Future income taxes	$ 1,107	$

The following table provides additional information with respect to amounts included in the cash flow statement of funds provided by (used in) assets classified as discontinued operations:

	2003

Net earnings of discontinued operations	$ (2,455)	$ 1
Items not affecting cash:		
Gain on disposal of discontinued operations	(17,460)	
Depreciation and amortization	8,340	8
Goodwill amortization	--	
Writedown of assets of discontinued operations	10,799	
Future income taxes	(4,916)	(2
Funds provided (used in) by discontinued operations	$ (5,692)	$ 6

Components of change in non-cash working capital balances related to discontinued operations:

	2003	2002	2001
Accounts receivable	$ 2,843	$ 16,598	$ (6,002)
Inventory	3,243	(7,534)	(5,477)
Accounts payable and accrued liabilities	1,931	(4,742)	596
Income taxes payable	(772)	282	(688)
	$ 7,245	$ 4,604	$(11,571)

NOTE 21: GUARANTEES

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