

## **Trust Unitholders Resident in Canada**

Precision Drilling Trust (“Precision”) is an unincorporated open-ended investment trust established under the laws of Alberta which qualifies as a mutual fund trust as defined in the *Income Tax Act (Canada)* (“Tax Act”). The following information is intended to assist Canadian resident individual holders of Precision trust units (“Trust Units”) in the preparation of a 2006 T1 Income Tax Return. The Trust Units are qualified investments for registered retirement savings plans (“RRSP”), registered retirement income funds (“RRIF”), deferred profit sharing plans (“DPSP”) and registered education savings plans (“RESP”) as defined in the Tax Act.

**The following information is based on Precision’s understanding of the Tax Act and is provided as general information only. This information is not exhaustive of all possible income tax considerations under the Tax Act and is not intended to be legal or tax advice to any particular holder of Trust Units. Unitholders or potential unitholders should consult their own legal, business and/or tax advisors as to the tax implications of holding Trust Units in their particular circumstances.**

Registered unitholders should receive a “T3 – Statement of Trust Income Allocations and Designations” (“T3 slip”) from the transfer agent, Computershare Trust Company of Canada, which should be mailed on or before March 31, 2007. Unitholders who hold their Trust Units through brokers or investment dealers should receive T3 slips directly from their broker or investment dealer. The deadline for mailing T3 slips is March 31, 2007.

### **Trust Units held outside of an RRSP, RRIF, DPSP or RESP**

If a unitholder holds his or her Trust Units outside an RRSP, RRIF, DPSP or RESP, the unitholder must report taxable income allocated by Precision to the unitholder (that is, “Other income” – Box 26 on the T3 slip) in the unitholder’s 2006 T1 Income Tax Return.

### **Trust Units held inside of an RRSP, RRIF, DPSP or RESP**

If a unitholder holds his or her Trust Units in an RRSP, RRIF, DPSP or RESP, no amounts are required to be reported by the unitholder in the unitholder’s 2006 T1 Income Tax Return.

### **2006 Tax Information Summary for Canadian Resident Trust Unitholders**

The following table provides a summary of the cash distributions and special year-end in-kind distribution declared by Precision in fiscal 2006 that were paid or payable as at December 31, 2006 and is intended to be used by Canadian resident Trust unitholders in determining their 2006 income for Canadian tax purposes.

### Distribution Information for fiscal 2006 (\$/unit)

Payment Type	Record Date	Payment Date	2006 Taxable Income	2006 Return of Capital	Total Distribution
Regular - Cash	January 31, 2006	February 15, 2006	\$0.26835	\$0.00165	\$0.270
Regular - Cash	February 28, 2006	March 15, 2006	\$0.26835	\$0.00165	\$0.270
Regular - Cash	March 31, 2006	April 18, 2006	\$0.26835	\$0.00165	\$0.270
Regular - Cash	April 28, 2006	May 16, 2006	\$0.26835	\$0.00165	\$0.270
Regular - Cash	May 31, 2006	June 15, 2006	\$0.30811	\$0.00189	\$0.310
Regular - Cash	June 30, 2006	July 18, 2006	\$0.30811	\$0.00189	\$0.310
Regular - Cash	July 31, 2006	August 15, 2006	\$0.30811	\$0.00189	\$0.310
Regular - Cash	August 31, 2006	September 15, 2006	\$0.30811	\$0.00189	\$0.310
Regular - Cash	September 29, 2006	October 17, 2006	\$0.30811	\$0.00189	\$0.310
Regular - Cash	October 31, 2006	November 15, 2006	\$0.30811	\$0.00189	\$0.310
Regular - Cash	November 30, 2006	December 15, 2006	\$0.30811	\$0.00189	\$0.310
Regular - Cash	December 31, 2006	January 16, 2007	\$0.30811	\$0.00189	\$0.310
Special in-kind <sup>(1)</sup>	December 31, 2006	January 16, 2007	\$0.19381	\$0.00119	\$0.195
<b>Total</b>			<b><u>\$3.73209</u></b>	<b><u>\$0.02291</u></b>	<b><u>\$3.755</u></b>

<sup>(1)</sup> The special year-end distribution was settled “in-kind” through units rather than cash in order for Precision Drilling Corporation to minimize debt levels and retain balance sheet strength to fund planned asset growth. Immediately after the special in-kind distribution, the outstanding Trust Units were consolidated so that the number of Trust Units outstanding remained unchanged from the number of Trust Units outstanding immediately before the special in-kind distribution.

### **Adjusted Cost Base (“ACB”) Implications for Trust Units**

The ACB is used in calculating capital gains or losses on the disposition of Trust Units if the unitholder holds his or her Trust Units as “capital property”.

A unitholder’s ACB of his or her Trust Units will be reduced by the portion of the 2006 distributions distributed to a unitholder in excess of taxable income allocated to such unitholder (that is, the return of capital component which will be reflected in the “Amount resulting in cost base adjustment” – Box 42 on the T3 slip). A unitholder’s ACB of his or her Trust Units should be increased by a net amount of \$0.19381 per unit as a result of the special year-end in-kind distribution.

### **Non – resident Trust Unitholders**

This summary does not contain information regarding the non-Canadian income tax consequences of holding Trust Units for unitholders who are subject to tax outside of Canada. All non-resident unitholders should consult their tax advisors with respect to the tax implications of holding Trust Units, including any associated filing requirements, in jurisdictions outside of Canada.