

**PRECISION DRILLING CORPORATION**  
**COMPENSATION COMMITTEE**  
**CHARTER AND TERMS OF REFERENCE**

**1. General**

The purpose of this document is to establish the terms of reference of the Compensation Committee (the “Committee”) of Precision Drilling Corporation (the “Corporation”). The Committee is a standing committee of the Board of Directors of the Corporation (the “Board of Directors”) appointed to assist the Board of Directors by reviewing compensation issues in respect of the Corporation and making recommendations thereon to the Board of Directors as appropriate.

**2. Committee Establishment, Structure and Authority**

**(a) Composition**

The Committee shall consist of no fewer than three members, at least 25 percent of whom must be resident Canadians. Each member of the Committee shall be “independent” under the requirements or guidelines for compensation committee service under applicable securities laws and the rules of any stock exchange on which the shares of the Corporation are listed for trading.

**(b) Appointment and Replacement of Committee Members**

Each member of the Committee shall serve at the pleasure of the Board of Directors. Any member of the Committee may be removed or replaced at any time by the Board of Directors and shall automatically cease to be a member of the Committee upon ceasing to be a director of the Corporation. Subject to the foregoing, the members of the Committee shall be appointed by the Board of Directors annually and each member of the Committee shall hold office until the next annual meeting of the shareholders of the Corporation or until his or her successor shall be duly elected or appointed.

**(c) Vacancies**

The Board of Directors may fill vacancies on the Committee by appointment from among its number. The Board of Directors shall fill any vacancy if the membership of the Committee is less than three directors or the minimum Canadian residency requirements are not met. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all their power so long as a quorum remains in office and minimum Canadian residency requirements are met.

**(d) Quorum**

A majority of the Committee with at least 25 percent resident Canadians, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

**(e) Review of Charter and Terms of Reference and Position of the Compensation Committee Chair**

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

The Committee shall review and reassess the adequacy of the Position Description of the Compensation Committee Chair at least annually, and recommend to the Board of Directors such changes as the Committee deems appropriate.

**(f) Delegation**

The Committee may delegate from time to time to any individual member or sub-committee of members, any of the Committee's responsibilities that lawfully may be delegated.

**(g) Reporting to the Board of Directors**

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

**(h) Committee Chair Responsibilities**

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

**(i) Absence of Committee Chair**

If the Committee Chair is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.

**(j) Meetings**

The Committee Chair, or any member of the Committee, may call a meeting of the Committee. The Committee shall meet at least four times per year and as many additional times as is needed to carry out its duties effectively.

**(k) Notice of Meetings**

Notice of the time and place of every meeting shall be given in writing or electronic communication to each member of the Committee at least 48 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive notice of a meeting.

Attendance of a member at a meeting is a waiver of notice of the meeting except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

**(l) Procedure, Records and Reporting**

Subject to any statute or articles or by-laws of the Corporation, the Committee shall fix its own procedures at meetings, keep records of its proceedings and report to the Board of Directors, generally not later than the next scheduled meeting of the Board of Directors that follows the Committee meeting. In discharging its responsibilities, the Committee shall have full access to any relevant records of the Corporation.

**(m) Attendance of Officers or Employees at Meetings**

The Committee may request any officer or employee of the Corporation to attend a meeting of the Committee or meet with any members of, or consultants to, the Committee.

**(n) Outside Experts and Advisors**

The Committee may retain any outside expert or advisor, including but not limited to, legal, accounting, financial or other consultants, at the Corporation's expense, in order to permit the Committee to carry out its duties. The Committee will assure itself as to the independence of any outside expert or advisor.

**3. Purpose**

The Committee shall have responsibility for performing the duties delegated to it by the Board of Directors to enable the Board of Directors to fulfill its responsibilities in relation to reviewing the compensation of the Corporation's executives and for producing compensation discussion and analysis disclosure for inclusion in the Corporation's management information circular in accordance with applicable securities laws and the rules of any stock exchange on which the shares of the Corporation are listed for trading.

**4. Committee Responsibilities**

The Committee shall monitor, review, approve, recommend and take other action as appropriate, in fulfilling its purpose, including:

- approve and review with the President and Chief Executive Officer the Corporation's overall compensation philosophy and compensation and benefits plans in relation to the Corporation's business strategy and oversee the development and implementation of compensation programs;
- annually review and recommend to the Board of Directors a compensation package for the Directors of the Corporation. In considering the Director compensation package, the Committee may take into consideration the relative responsibilities of the Directors in serving the Board of Directors and its various Committees. The Committee may request that management report to the Committee periodically on the status of the compensation of the Board of Directors in relation to other similarly

situated companies. The Committee shall review annually any share ownership guidelines applicable to the Directors and shall recommend to the Board of Directors revisions to any such guidelines as appropriate.

- review, assess the competitiveness of and recommend to the Board of Directors for approval, the compensation package of the President and Chief Executive Officer and senior management of the Corporation. In conducting such review, the Committee may consider, among other things, as appropriate:
  - (i) the compensation packages of the President and Chief Executive Officer and the senior management of the Corporation for the prior year;
  - (ii) the Committee's evaluation of the performance of the President and Chief Executive Officer and the President and Chief Executive Officer's evaluation of the performance of senior management;
  - (iii) the Corporation's performance and relative shareholder return;
  - (iv) whether the compensation package reflects an appropriate balance between short and long-term incentives to improve performance of the Corporation;
  - (v) the competitiveness of the package including the value of similar incentive awards paid to equivalent officers and positions at comparable companies; and
  - (vi) the awards given to the President and Chief Executive Officer and senior management in previous years.
- review and approve, annually, the Corporation's goals and objectives relating to the President and Chief Executive Officer's compensation, evaluate the President and Chief Executive Officer's performance in light of these goals and objectives, and determine and recommend for approval by the independent members of the Board of Directors, the President and Chief Executive Officer's compensation package based on such evaluation;
- ensure a plan for succession of the President and Chief Executive Officer in the event of an emergency or the retirement;
- make recommendations to the Board of Directors with respect to the general compensation policies of the Corporation;
- oversee the administration of any incentive compensation or equity-based compensation plans, including amendments to any awards made under any such plans, and review and monitor awards under such plans;
- review with the President and Chief Executive Officer, and approve: (a) the compensation plans for senior executive officers of the Corporation; and (b)

recommendations for the appointment and compensation of senior executive officers, prior to consideration by the Board of Directors;

- meet in separate, non-management, "in-camera", sessions at each regularly scheduled meeting;
- annually review, with the Corporate Governance and Nominating Committee and the President and Chief Executive Officer, the Position Description for the President and Chief Executive Officer, and in the Compensation Committee's discretion, recommend any changes to the Board of Directors for consideration;
- annually review the executive management and President and Chief Executive Officer succession and development plans and, after consultation with the President and Chief Executive Officer and at the Committee's discretion, make recommendations to the Board of Directors for consideration;
- produce a compensation discussion and analysis as required by applicable securities regulation to be included in the Corporation's management information circular; and
- undertake on behalf of the Board of Directors such other compensation initiatives as may be necessary or desirable to contribute to the success of the Corporation and enhance shareholder value.

**Approved effective June 1, 2010.**