

United States and Other Non-resident Trust Unitholders

United States Trust Unitholders

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 individual holders of Precision trust units (“Trust Units”) in reporting distributions received from Precision during 2006 for United States (“U.S.”) federal income tax purposes.

The following information is based on Precision’s understanding of the Internal Revenue Code of 1986 and regulations thereunder and is provided as general information only. This information is not exhaustive of all possible U.S. income tax considerations 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 as well as to determine whether claiming a credit or deduction for foreign income taxes is more beneficial.

Precision understands that it should be treated as a corporation for U.S. federal tax purposes and the Trust Units should be treated as shares of such corporation so that amounts considered to be dividends for U.S. federal income tax purposes that are paid to U.S. individual unitholders should be characterized as qualified dividends received from a qualified foreign corporation. As such, the portion of distributions paid in a year that are considered to be dividends should qualify for the reduced rate of tax applicable to dividends received from qualified foreign corporations. However, to qualify for such reduced rate, the unitholder must satisfy certain holding period and other requirements. Unitholders should consult their own tax advisors concerning their eligibility for this reduced rate of U.S. federal income tax.

The portion of the 2006 distribution from Precision that is to be considered to be a dividend for U.S. federal income tax purposes depends on Precision’s current and accumulated earnings and profits (“E&P”) as determined in accordance with U.S. income tax principles. Precision has determined that it has sufficient E&P for 2006 such that 100% of the distributions paid in 2006 should be treated as a qualified dividend from a qualified foreign corporation.

Trust Units held inside a Qualified Retirement Plan

If a unitholder holds his or her Trust Units in a qualified retirement plan, distributions received by such plan generally would not be required to be reported on the individual’s federal income tax return (generally IRS Form 1040 – U.S. Individual Income Tax Return).

Trust Units held outside a Qualified Retirement Plan

If an individual unitholder holds his or her Trust Units outside a qualified retirement plan, generally the unitholder must report dividends received in 2006 on their 2006 federal income tax return (generally IRS Form 1040 – U.S. Individual Income Tax Return). Individual U.S. unitholders who hold their Trust Units through brokers or investment dealers should have received tax-reporting information from their brokers or investment dealers and may need to use the information provided on the schedule below for a division of the cash distributions between taxable dividend and a return of capital. Precision expects that U.S. brokers or investment dealers will have issued an IRS Form 1099 - DIV "Dividends and Distributions" or a similar substitute form. The deadline for mailing Form 1099 - DIV is January 31, 2007.

Individual taxpayers desiring to claim a foreign tax credit for the Canadian taxes shown as withheld on IRS Form 1099 - DIV may have to file IRS Form 1116 "Foreign Tax Credit (Individual, Estate, or Trust)" though some individuals may be able to claim the credit directly on IRS Form 1040. Information regarding the amount of Canadian tax withheld in 2006 should be available from your U.S. broker or investment dealer and in the case of registered unitholders from the transfer agent, Computershare Trust Company of Canada, and is not available from Precision. Unitholders should consult their own legal, business and/or tax advisors to determine whether claiming a credit or deduction for foreign income taxes is more beneficial.

Summary of U.S. Tax Information

The following table provides, on a per Trust Unit basis, the breakdown of the amount of the cash distribution, prior to Canadian withholding tax and U.S. backup withholding tax, paid by Precision for the period January 1, 2006 to December 31, 2006. The amount is segregated between the portion of the cash distribution that should be treated as a qualified dividend from a qualified foreign corporation and the portion that should be treated as a return of capital. The amounts shown on the following schedule are in U.S. dollars as converted on the applicable payment date using the Bank of Canada noon day exchange rate on the applicable payment date. This schedule is for information purposes only and amounts computed based on the following table may differ from the amounts shown on the Form 1099 – DIV or similar substitute form.

Cash Distribution Information for fiscal 2006:

Record Date	Payment Date	Forex Rate¹	2006 Qualified Dividend (\$U.S./unit)	2006 Return of Capital (\$U.S./unit)	2006 Total Cash Distribution (\$U.S./unit)
December 31, 2005	January 17, 2006	1.1643	\$0.232	\$0.00	\$0.232
December 31, 2005	January 17, 2006	1.1643	\$0.019	\$0.00	\$0.019
January 31, 2006	February 15, 2006	1.1541	\$0.234	\$0.00	\$0.234
February 28, 2006	March 15, 2006	1.1553	\$0.234	\$0.00	\$0.234

Record Date	Payment Date	Forex Rate¹	2006 Qualified Dividend (\$ U.S./unit)	2006 Return of Capital (\$ U.S./unit)	2006 Total Cash Distribution (\$ U.S./unit)
March 31, 2006	April 18, 2006	1.1419	\$0.236	\$0.00	\$0.236
April 28, 2006	May 16, 2006	1.1112	\$0.243	\$0.00	\$0.243
May 31, 2006	June 15, 2006	1.1177	\$0.277	\$0.00	\$0.277
June 30, 2006	July 18, 2006	1.1336	\$0.274	\$0.00	\$0.274
July 31, 2006	August 15, 2006	1.1221	\$0.276	\$0.00	\$0.276
August 31, 2006	September 15, 2006	1.1195	\$0.277	\$0.00	\$0.277
September 29, 2006	October 17, 2006	1.1380	\$0.272	\$0.00	\$0.272
October 31, 2006	November 15, 2006	1.1390	\$0.272	\$0.00	\$0.272
November 30, 2006	December 15, 2006	1.1574	\$0.268	\$0.00	\$0.268
Total Distributions paid in 2006			<u>\$2.846</u>	<u>\$0.00</u>	<u>\$2.846</u>

¹ Bank of Canada noon day \$Cdn./\$U.S. exchange rate on the applicable payment date.

Other Non-resident Trust Unitholders

Except as specifically discussed above pertaining to United States federal income tax consequences, 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 own legal, business and/or tax advisors with respect to the tax implications of holding Trust Units, including any associated filing requirements, in jurisdictions outside of Canada.