

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

**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 as well as Precision Drilling Trust (the “Trust”), and making recommendations thereon to the Board of Directors as appropriate.

**Committee Structure and Authority**

**(a) Composition**

The Committee shall consist of no fewer than three members, at least a majority of whom must be resident Canadians. Each member of the Committee shall be “independent” under the requirements or guidelines for compensation committee service under applicable securities laws and the rules of any stock exchange on which the units of the Trust 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. The Board of Directors may fill vacancies on the Committee by election from among its number. The Board of Directors shall fill any vacancy if the membership of the Committee is less than three directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all their power so long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be elected by the Board of Directors annually and each member of the Committee shall hold office until the next annual meeting of the unitholders of the Trust after his or her election or until his or her successor shall be duly elected and qualified.

**(c) Quorum**

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

**(d) Review of Charter and Terms of Reference**

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

or regulatory requirements, in the annual management information circular or annual report of the Trust.

**(e) Delegation**

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

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

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

**(g) Committee Chair Responsibilities**

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

**(h) Other Authority**

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

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

**Purpose**

The Committee shall have responsibility for discharging the Board of Directors' responsibilities relating to reviewing the compensation of the Corporation's executives and for producing an annual report on executive compensation 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 units of the Trust are listed for trading.

**Committee Responsibilities**

The Committee shall:

- recommend to the Board of Directors the terms upon which Directors and Trustees shall be compensated, including compensation for committee members, that adequately reflects the responsibility they are assuming;
- review, assess the competitiveness of and recommend to the Board of Directors for approval, the compensation package of the 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 Chief Executive Officer and the senior management of the Corporation for the prior year;
  - (ii) the Committee's evaluation of the performance of the Chief Executive Officer and the Chief Executive Officer's evaluation of the performance of senior management;
  - (iii) the Corporation's performance and relative unitholder return;
  - (iv) whether the compensation package reflects an appropriate balance between short and longer-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;
  - (vi) the awards given to the Chief Executive Officer and senior management in previous years.
- review and approve, annually, the Corporation's goals and objectives relating to the Chief Executive Officer's compensation, evaluate the 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 Chief Executive Officer's compensation package based on such evaluation;
  - recommend policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer of the Corporation;
  - make recommendations to the Board of Directors with respect to senior management compensation;
  - make recommendations to the Board of Directors with respect to the general compensation policies of the Corporation;
  - adopt, administer, approve and ratify awards under incentive-compensation plans including amendments to any awards made under any such plans, and review and monitor awards under such plans;
  - review with the Chief Executive Officer and comment upon: (a) the compensation plans for senior executive officers of the Corporation; and (b) recommendations for the appointment of senior executive officers prior to consideration by the Board of Directors;
  - meet at least four times annually and as many additional times as needed to carry out its duties effectively;
  - meet in separate, non-management, closed session with internal personnel or outside advisors, as needed or appropriate;

- meet in separate, non-management, in camera session at each regularly scheduled meeting;
- annually review, with the Corporate Governance and Nominating Committee and the Chief Executive Officer, the Position Description for the 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 Chief Executive Officer succession and development plans and, after consultation with the Chief Executive Officer and at the Committee's discretion, make recommendations to the Board of Directors for consideration;
- produce a compensation committee report on executive officer compensation as required by applicable securities regulation to be included in the Trust'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 unitholder value.

**Approved February 13, 2008**