

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 2005 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 will receive a “T3 – Statement of Trust Income and Allocations and Designations” (“T3 slip”) from the transfer agent, Computershare Trust Company of Canada, which will be mailed on or before March 31, 2006. Unitholders who hold their Trust Units through brokers or investment dealers will receive T3 slips directly from their broker or investment dealer. The deadline for mailing T3 slips is March 31, 2006.

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 2005 T1 Income Tax Return. Precision has determined that 99.82% of the 2005 distributions declared are income in nature and the remaining 0.18% represents a return of capital.

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 2005 T1 Income Tax Return.

2005 Tax Information Summary for Canadian Resident Trust Unitholders

The following table provides a summary of cash distributions declared by Precision in fiscal 2005 that were paid or payable as at December 31, 2005 and is intended to be used by Canadian resident Trust unitholders in determining their 2005 income for Canadian tax purposes.

Cash Distribution Information for fiscal 2005 (\$/unit)

<u>Record Date</u>	<u>Payment Date</u>	<u>2005 Taxable Income</u>	<u>2005 Return of Capital</u>	<u>Total Cash Distribution</u>
November 30, 2005	December 15, 2005	\$0.26951	\$0.00049	\$0.270
December 31, 2005	January 17, 2006	\$0.26951	\$0.00049	\$0.270
December 31, 2005	January 17, 2006	<u>\$0.02196</u>	<u>\$0.00004</u>	<u>\$0.022</u>
		<u>\$0.56098</u>	<u>\$0.00102</u>	<u>\$0.562</u>

ACB Implications for Trust Units

A unitholder's "adjusted cost base" ("ACB") of his or her Trust Units will be reduced by the non-taxable portion of the 2005 cash distribution (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). 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".

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.