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PRECISION DRILLING CORP

Form 6-K

August 11, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO SECTION 13A-16 OR 15D-16 OF THE
SECURITIES EXCHANGE ACT OF 1934

For August 10, 2005

Commission File Number: 001-14534

PRECISION DRILLING CORPORATION
(Exact name of registrant as specified in its charter)

4200, 150 - 6TH AVENUE S.W.
CALGARY, ALBERTA
CANADA T2P 3Y7
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1). _____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

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If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- N/A

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRECISION DRILLING CORPORATION

Per: /s/ Jan M. Campbell

Jan M. Campbell
Corporate Secretary

Date: August 10, 2005

PRECISION DRILLING CORPORATION INTERIM REPORT 2 PERIODS ENDED JUNE 30, 2005 AND 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

HIGHLIGHTS

THREE MONTHS ENDED JUNE 30,

(STATED IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

2005

2004

FINANCIAL RESULTS

| | | |
|---|------------|------------|
| Revenue | \$ 157,895 | \$ 134,963 |
| Operating earnings (1) | 24,505 | 24,065 |
| Earnings from continuing operations | 9,308 | 10,127 |
| Net earnings | 25,851 | 15,995 |
| Diluted earnings per share: | | |
| From continuing operations | 0.07 | 0.09 |
| Net earnings | 0.21 | 0.14 |
| Funds provided by continuing operations | \$ 27,973 | \$ 11,038 |

June 30,
2005

FINANCIAL POSITION

| | | |
|--|------------|----|
| Working capital | \$ 736,709 | \$ |
| Long-term debt (2) | 719,240 | |
| Cash and cash equivalents | 306,538 | |
| Long-term debt to long-term debt plus equity (2) | 0.22 | |

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- (1) SEE EXPLANATION ON PAGE 5
 (2) EXCLUDES CURRENT PORTION OF LONG-TERM DEBT

OVERVIEW

Diluted earnings per share from continuing operations were \$0.07 in the second quarter of 2005 compared to \$0.09 in 2004.

Diluted net earnings per share were \$0.21 for the quarter ended June 30, 2005 compared to \$0.14 in 2004.

During the quarter, the Corporation entered into a definitive agreement to sell its Energy Services and International Contract Drilling divisions for approximately US\$2.28 billion with the transaction expected to close on or about September 1, 2005. The Corporation is also negotiating with a third party for the sale of its industrial and plant maintenance business carried on by CEDA. As a result, these businesses have been classified as discontinued operations with continuing operations now being comprised of Canadian contract drilling, service rig, snubbing, rentals, and related services businesses.

With respect to the continuing businesses, the Corporation announced in June 2005 that it was undertaking an examination of the available strategic alternatives, including determining the viability and method of conversion to an income trust. Although the Board of Directors has not made any decision with respect to any specific course of action at this time, it has retained the appropriate financial, accounting, legal and tax advisors to assist it in identifying and assessing issues pertaining to a conversion to an income trust. Any conversion alternatives available to Precision will be subject to review by, and approval of the Board of Directors and will also be subject to receipt of all required shareholder and regulatory approvals.

RESULTS OF CONTINUING OPERATIONS

| THREE MONTHS ENDED JUNE 30, | 2005 | 2004 |
|---|--------|--------|
| Number of drilling rigs (end of period) | 229 | 225 |
| Drilling operating days | 6,049 | 5,279 |
| Drilling revenue per operating day | 16,578 | 15,561 |
| Number of service rigs (end of period) | 239 | 239 |
| Service rig operating hours | 72,814 | 80,986 |
| Service revenue per operating hour | 530 | 458 |

| SIX MONTHS ENDED JUNE 30, | 2005 | 2004 |
|---|---------|---------|
| Number of drilling rigs (end of period) | 229 | 225 |
| Drilling operating days | 20,048 | 20,047 |
| Drilling revenue per operating day | 17,951 | 16,506 |
| Number of service rigs (end of period) | 239 | 239 |
| Service rig operating hours | 212,488 | 231,679 |
| Service revenue per operating hour | 576 | 507 |

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As is the norm in the second quarter, weather conditions were a significant factor affecting activity levels. An early spring break up and dry conditions in May were boding well for a very strong second quarter. These favorable conditions came to an abrupt halt in June as record rainfall in Alberta slowed the movement of oilfield equipment. Dry conditions have returned in July and activity has quickly ramped up.

Overall the market for our services is very strong with winter pricing for the most part being maintained through the spring and summer months. The healthy backlog of work should give service providers pricing leverage going into the upcoming winter season.

With the exception of snubbing, all operating divisions reported higher revenue for the quarter. This is particularly noteworthy in well servicing where service rig operating hours were 10% less than prior year.

Operating costs have escalated somewhat as a result of crew wage increases implemented in October 2004 and increases in third party materials and labor required for our equipment maintenance programs. Operating margins have, however, improved year over year with operating expenses as a percentage of revenue declining to 64.3% from 68.4% in the second quarter of 2004. This is a strong performance for the traditionally slow second quarter. Equipment repairs and maintenance expenditures, while substantial, are in line with our expectations.

At first glance, general and administrative costs appear to have increased by over \$8 million in the second quarter. While costs have increased as a result of options granted in the last half of 2004 and additional expenses incurred in relation to internal and external audit functions in this post Sarbanes Oxley world, there are also a number of severance, financial advisory and legal fees not associated with ongoing business which amounted to approximately \$4 million in the quarter.

It is also important to note that during the six to nine month period following the sales transactions mentioned earlier, general and administrative expenses will be reduced as the corporate functions will be sized to match the needs of the smaller business.

The effective tax rate on income from continuing operations has increased in 2005 as a result of the increased non-deductible options expense and a tax law change in the second quarter that was made effective January 1, 2005.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's liquidity position continues to improve with cash flow from operations and from the exercise of stock options exceeding net capital spending by \$185 million in the first six months of 2005. As a result the Corporation's cash balance has increased to \$307 million and the \$335 million revolving bank credit facility remains undrawn. During July 2005 the Corporation issued 244,950 shares on the exercise of stock options.

QUARTERLY FINANCIAL SUMMARY

(STATED IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS,
WHICH ARE PRESENTED ON A DILUTED BASIS)

Quarters ended

2004
September 30 December 31

MAR

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| | | | |
|---|---------|---------|----|
| Revenue | 218,023 | 313,978 | 38 |
| Operating earnings (1) | 61,799 | 113,879 | 15 |
| Earnings from continuing operations | 36,995 | 60,582 | 8 |
| Per share | 0.31 | 0.49 | |
| Net earnings | 42,707 | 88,183 | 13 |
| Per share | 0.36 | 0.71 | |
| Funds provided by continuing operations | 56,477 | 114,627 | 12 |

| Quarters ended | 2003 | | Mar |
|---|--------------|-------------|-----|
| | September 30 | December 31 | |
| Revenue | 211,131 | 263,907 | 36 |
| Operating earnings (1) | 53,084 | 88,729 | 13 |
| Earnings from continuing operations | 29,538 | 42,486 | 8 |
| Per share | 0.27 | 0.38 | |
| Net earnings | 35,765 | 52,958 | 10 |
| Per share | 0.32 | 0.48 | |
| Funds provided by continuing operations | 62,618 | 86,522 | 12 |

(1) OPERATING EARNINGS - NON-GAAP MEASURE

OPERATING EARNINGS IS NOT A RECOGNIZED MEASURE UNDER CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). MANAGEMENT BELIEVES THAT IN ADDITION TO NET EARNINGS, OPERATING EARNINGS IS A USEFUL SUPPLEMENTAL MEASURE AS IT PROVIDES AN INDICATION OF THE RESULTS GENERATED BY THE CORPORATION'S PRINCIPAL BUSINESS ACTIVITIES PRIOR TO CONSIDERATION OF HOW THOSE ACTIVITIES ARE FINANCED OR HOW THE RESULTS ARE TAXED IN VARIOUS JURISDICTIONS. INVESTORS SHOULD BE CAUTIONED, HOWEVER, THAT OPERATING EARNINGS SHOULD NOT BE CONSTRUED AS AN ALTERNATIVE TO NET EARNINGS DETERMINED IN ACCORDANCE WITH GAAP AS AN INDICATOR OF PRECISION'S PERFORMANCE. PRECISION'S METHOD OF CALCULATING OPERATING EARNINGS MAY DIFFER FROM OTHER COMPANIES AND, ACCORDINGLY, OPERATING EARNINGS MAY NOT BE COMPARABLE TO MEASURES USED BY OTHER COMPANIES.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS INTERIM REPORT, INCLUDING STATEMENTS WHICH MAY CONTAIN WORDS SUCH AS "COULD", "PLANS", "SHOULD", "ANTICIPATES", "EXPECT", "BELIEVE", "WILL" AND SIMILAR EXPRESSIONS AND STATEMENTS RELATING TO MATTERS THAT ARE NOT HISTORICAL FACTS ARE FORWARD-LOOKING STATEMENTS, AND ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO STATEMENTS AS TO: OUR EXPECTED CLOSING OF THE SALE OF OUR ENERGY SERVICES AND INTERNATIONAL CONTRACT DRILLING, OUR EXAMINATION OF AVAILABLE STRATEGIC ALTERNATIVES FOR OUR CONTINUING BUSINESS, THE CORPORATION'S MARKET SHARE AND POSITION IN THE DOMESTIC AND INTERNATIONAL DRILLING MARKETS; ANTICIPATED REDUCTIONS IN OUR GENERAL AND ADMINISTRATIVE EXPENSES AND OTHER SUCH MATTERS.

THESE STATEMENTS ARE BASED ON CERTAIN ASSUMPTIONS AND ANALYSES MADE BY THE CORPORATION IN LIGHT OF ITS EXPERIENCE AND ITS PERCEPTION OF HISTORICAL TRENDS, CURRENT CONDITIONS AND EXPECTED FUTURE DEVELOPMENTS AS WELL AS OTHER FACTORS IT BELIEVES ARE APPROPRIATE IN THE CIRCUMSTANCES. HOWEVER, WHETHER ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS WILL CONFORM WITH THE CORPORATION'S EXPECTATIONS AND PREDICTIONS IS SUBJECT TO A NUMBER OF KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE CORPORATION'S

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EXPECTATIONS, INCLUDING: FLUCTUATIONS IN THE PRICE AND DEMAND OF OIL AND GAS; FLUCTUATIONS IN THE LEVEL OF OIL AND GAS EXPLORATION AND DEVELOPMENT ACTIVITIES; FLUCTUATIONS IN THE DEMAND FOR WELL SERVICING, CONTRACT DRILLING AND ANCILLARY OILFIELD SERVICES; THE EXISTENCE OF COMPETITORS, TECHNOLOGICAL CHANGES AND DEVELOPMENTS IN THE OIL AND GAS INDUSTRY; THE ABILITY OF OIL AND GAS COMPANIES TO RAISE CAPITAL; THE EFFECTS OF SEVERE WEATHER CONDITIONS ON OPERATIONS AND FACILITIES; THE EXISTENCE OF OPERATING RISKS INHERENT IN WELL SERVICING, CONTRACT DRILLING AND ANCILLARY OILFIELD SERVICES; POLITICAL CIRCUMSTANCES IMPEDING THE PROGRESS OF WORK IN ANY OF THE COUNTRIES IN WHICH THE CORPORATION DOES BUSINESS; IDENTIFYING AND ACQUIRING SUITABLE ACQUISITION TARGETS ON REASONABLE TERMS; GENERAL ECONOMIC, MARKET OR BUSINESS CONDITIONS, INCLUDING STOCK MARKET VOLATILITY; CHANGES IN LAWS OR REGULATIONS, INCLUDING TAXATION, ENVIRONMENTAL AND CURRENCY REGULATIONS; THE LACK OF AVAILABILITY OF QUALIFIED PERSONNEL OR MANAGEMENT; AND OTHER UNFORESEEN CONDITIONS WHICH COULD IMPACT ON THE USE OF SERVICES SUPPLIED BY THE CORPORATION.

CONSEQUENTLY, ALL OF THE FORWARD-LOOKING STATEMENTS MADE IN THIS REPORT ARE QUALIFIED BY THESE CAUTIONARY STATEMENTS AND THERE CAN BE NO ASSURANCE THAT THE ACTUAL RESULTS OR DEVELOPMENTS ANTICIPATED BY THE CORPORATION WILL BE REALIZED OR, EVEN IF SUBSTANTIALLY REALIZED, THAT THEY WILL HAVE THE EXPECTED CONSEQUENCES TO OR EFFECTS ON THE CORPORATION OR ITS BUSINESS OR OPERATIONS. THE CORPORATION ASSUMES NO OBLIGATION TO UPDATE PUBLICLY ANY SUCH FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

CONSOLIDATED BALANCE SHEETS

| (STATED IN THOUSANDS OF DOLLARS) | JUNE 30, 2005 | DECEMBER 31, 2004 |
|--|------------------|----------------------|
| | (UNAUDITED) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 306,538 | \$ 306,538 |
| Accounts receivable | 207,543 | 207,543 |
| Income taxes recoverable | 1,793 | 1,793 |
| Inventory | 6,711 | 6,711 |
| Assets of discontinued operations (Note 4) | 541,148 | 541,148 |
| | 1,063,733 | 1,063,733 |
| Property, plant and equipment, net of accumulated depreciation | 927,592 | 927,592 |
| Intangibles, net of accumulated amortization | 511 | 511 |
| Goodwill | 266,827 | 266,827 |
| Other assets | 8,200 | 8,200 |
| Assets of discontinued operations (Note 4) | 1,742,143 | 1,742,143 |
| | \$ 4,009,006 | \$ 4,009,006 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 92,513 | \$ 92,513 |
| Income taxes payable | -- | -- |
| Liabilities of discontinued operations (Note 4) | 234,511 | 234,511 |
| | 327,024 | 327,024 |
| Long-term debt | 719,240 | 719,240 |

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| | | |
|---|--------------|-------|
| Future income taxes | 367,176 | |
| Future income taxes of discontinued operations (Note 4) | 75,110 | |
| Shareholders' equity: | | |
| Share capital | 1,301,886 | 1, |
| Contributed surplus | 33,631 | |
| Cumulative translation adjustment | (21,113) | |
| Retained earnings | 1,206,052 | 1, |
| | 2,520,456 | 2, |
| | \$ 4,009,006 | \$ 3, |
| Common shares outstanding (000's) | 122,762 | |
| Common share purchase options outstanding (000's) | 5,858 | |

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
(UNAUDITED)

| (STATED IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS) | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED |
|--|-----------------------------|------------|------------------|
| | 2005 | 2004 | 2004 |
| Revenue | \$ 157,895 | \$ 134,963 | \$ 541,302 |
| Expenses: | | | |
| Operating | 101,580 | 92,253 | 291,113 |
| General and administrative | 20,215 | 12,031 | 40,009 |
| Depreciation and amortization | 11,804 | 11,779 | 33,173 |
| Foreign exchange | (209) | (5,165) | (518) |
| | 133,390 | 110,898 | 363,777 |
| Operating earnings | 24,505 | 24,065 | 177,525 |
| Interest | 10,802 | 10,257 | 22,341 |
| Gain on disposal of investments | - | (42) | - |
| Earnings from continuing operations before income taxes | 13,703 | 13,850 | 155,184 |
| Income taxes: | | | |
| Current | 662 | 13,755 | 44,687 |
| Future | 3,733 | (10,032) | 12,908 |
| | 4,395 | 3,723 | 57,595 |
| Earnings from continuing operations | 9,308 | 10,127 | 97,589 |
| Discontinued operations, net of tax (Note 4) | 16,543 | 5,868 | 66,780 |
| Net earnings | 25,851 | 15,995 | 164,369 |
| Retained earnings, beginning of period | 1,180,201 | 894,798 | 1,041,683 |
| Retained earnings, end of period | \$ 1,206,052 | \$ 910,793 | \$ 1,206,052 |
| Earnings per share from continuing operations: | | | |
| Basic | \$ 0.08 | \$ 0.09 | \$ 0.80 |
| Diluted | \$ 0.07 | \$ 0.09 | \$ 0.78 |

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| Earnings per share: | | | | | | | |
|---|----|------|----|------|---------|---------|---------|
| Basic | \$ | 0.21 | \$ | 0.14 | \$ | 1.34 | |
| Diluted | \$ | 0.21 | \$ | 0.14 | \$ | 1.32 | |
| Common shares outstanding (000's) | | | | | 122,762 | 111,817 | 122,762 |
| Weighted average shares outstanding (000's) | | | | | 122,727 | 111,741 | 122,521 |
| Diluted shares outstanding (000's) | | | | | 125,013 | 113,098 | 124,765 |

CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)

| (STATED IN THOUSANDS OF DOLLARS) | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS |
|---|-----------------------------|-----------|------------|
| | 2005 | 2004 | 2005 |
| Cash provided by (used in): | | | |
| Continuing operations: | | | |
| Earnings from continuing operations | \$ 9,308 | \$ 10,127 | \$ 97,589 |
| Items not affecting cash: | | | |
| Stock based compensation | 2,684 | 1,414 | 5,464 |
| Depreciation and amortization | 11,804 | 11,779 | 33,173 |
| Gain on disposal of investments | - | (42) | - |
| Future income taxes | 3,733 | (10,032) | 12,908 |
| Amortization of deferred financing costs | 458 | 360 | 917 |
| Unrealized foreign exchange gain on long-term monetary items | (14) | (2,568) | (3) |
| Funds provided by continuing operations | 27,973 | 11,038 | 150,048 |
| Changes in non-cash working capital balances | 89,749 | 175,671 | 59,436 |
| | 117,722 | 186,709 | 209,484 |
| Discontinued operations: | | | |
| Funds provided by discontinued operations (Note 4) | 59,633 | 27,709 | 142,547 |
| Changes in non-cash working capital balances of discontinued operations | 28,880 | (18,447) | (48,264) |
| | 88,513 | 9,262 | 94,283 |
| Investments: | | | |
| Business acquisitions | - | (658,212) | - |
| Purchase of property, plant and equipment | (88,490) | (55,253) | (161,450) |
| Purchase of intangibles | - | - | (20) |
| Proceeds on sale of property, plant and equipment | 8,609 | 6,533 | 17,121 |
| Proceeds on disposal of investments | - | 48 | - |
| Proceeds on disposal of discontinued operations | - | 15,000 | - |
| Investments | - | (1,340) | - |
| | (79,881) | (693,224) | (144,349) |
| Financing: | | | |
| Increase in long-term debt | - | 520,873 | - |
| Repayment of long-term debt | (5) | (6,898) | (9) |
| Deferred financing costs on long term debt | - | (4,985) | - |
| Issuance of common shares on exercise of options | 2,626 | 6,236 | 25,117 |

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| | | | |
|---|------------|-----------|------------|
| Change in bank indebtedness | - | 2,533 | - |
| <hr style="border-top: 1px dashed black;"/> | | | |
| | 2,621 | 517,759 | 25,108 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Increase in cash and cash equivalents | 128,975 | 20,506 | 184,526 |
| Cash and cash equivalents, beginning of period | 177,563 | 20,209 | 122,012 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Cash and cash equivalents, end of period | \$ 306,538 | \$ 40,715 | \$ 306,538 |
| <hr style="border-top: 1px dashed black;"/> | | | |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(TABULAR AMOUNTS STATED IN THOUSANDS OF DOLLARS)

1. BASIS OF PRESENTATION

These interim financial statements were prepared using accounting policies and methods of their application consistent with those used in the preparation of the Corporation's audited financial statements for the year ended December 31, 2004, except as noted below. These interim financial statements conform in all respects to the requirements of generally accepted accounting principles in Canada for annual financial statements with the exception of certain note disclosures regarding balance sheet items and transactions occurring prior to the current reporting period. As a result, these interim financial statements should be read in conjunction with the Corporation's audited financial statements for the year ended December 31, 2004 contained in the Corporation's 2004 annual report.

2. SEASONALITY OF OPERATIONS

The majority of the Corporation's operations are carried on in Canada. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Corporation's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. The timing of freeze up and spring breakup affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally our slowest time.

3. CHANGES IN ACCOUNTING ESTIMATE

Effective January 1, 2005 Precision changed the useful life of its drilling rigs for purposes of determining depreciation expense to 5,000 utilization days from 4,150 utilization days (3,650 operating days), and its drill string to 1,500 from 1,100 operating days. Utilization days include both operating and rig move days. This change in accounting estimate has been applied prospectively and resulted in \$3.1 million reduction of depreciation expense for the three months ended and a \$7.9 million reduction for the six months ended June 30, 2005. Of these amounts \$1.1 million and \$4.3 million relate to continuing operations for the three and six months ended June 30, 2005, respectively.

4. DISCONTINUED OPERATIONS

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On June 6, 2005, the Corporation entered into an agreement to dispose of its Energy Services and International Contract Drilling divisions to Weatherford International Ltd. for proceeds of approximately US\$900 million and 26 million common shares of Weatherford International. The transaction is expected to close on or about September 1, 2005 and is subject to regulatory approvals and other customary closing conditions. In addition, in the second quarter of 2005, the Corporation adopted a formal plan to dispose of its industrial and plant maintenance business carried on by CEDA. These dispositions are in accordance with an extensive process undertaken by the Corporation's board of directors to explore avenues of valuation creation for the Corporation's shareholders.

On February 12, 2004, the Corporation sold substantially all of the assets of Fleet Cementers Inc. On May 7, 2004 the Corporation sold the assets of the Polar Completions division. On August 31, 2004 the Corporation sold its 65% interest in United Diamond Ltd.

Results of the operations of these businesses have been classified as results of discontinued operations. The following table provides additional information with respect to amounts included in the results of discontinued operations.

| | THREE MONTHS ENDED JUNE 30, 2005 | 2004 | SIX MONTHS ENDED 2005 | |
|---|-------------------------------------|-------------|--------------------------|------|
| ----- | | | | |
| Revenue | | | | |
| Energy services | \$ 217,040 | \$ 164,660 | \$ 498,765 | \$ 3 |
| International contract drilling | 78,177 | 67,826 | 150,889 | 1 |
| Industrial and plant maintenance | 56,809 | 48,868 | 110,841 | |
| Other | - | 4,131 | - | |
| | \$ 352,026 | \$ 285,485 | \$ 760,495 | \$ 5 |
| ----- | | | | |
| Gain (loss) on disposal of Fleet Cementers' assets | \$ - | \$ 595 | \$ - | \$ |
| ----- | | | | |
| Results of operations before income taxes | | | | |
| Energy services | \$ 495 | \$ (12,758) | \$ 56,259 | \$ |
| International contract drilling | 16,861 | 15,740 | 29,930 | |
| Industrial and plant maintenance | 8,510 | 7,593 | 15,224 | |
| Other | (4,261) | (5,096) | (8,796) | |
| Writedown of assets held for sale | - | - | - | |
| | 21,605 | 5,479 | 92,617 | |
| Income tax expense (recovery) | 5,062 | (223) | 25,837 | |
| ----- | | | | |
| Results of operations, before Non-controlling interest | 16,543 | 5,702 | 66,780 | |
| Non-controlling interest | - | 429 | - | |
| | \$ 16,543 | \$ 5,273 | \$ 66,780 | \$ |
| ----- | | | | |
| Discontinued operations | \$ 16,543 | \$ 5,868 | \$ 66,780 | \$ |
| ----- | | | | |

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The following table provides additional information with respect to amounts included in the balance sheet as assets/liabilities of discontinued operations:

| | 2005 | 2004 |
|-----------------------------|-----------|-----------|
| Accounts receivable | 405,831 | 381,707 |
| Inventory | 122,890 | 106,618 |
| Future income tax asset | 12,427 | 8,711 |
| | 541,148 | 497,036 |
| Capital assets | 1,247,296 | 1,239,104 |
| Goodwill 468,681 | 468,586 | |
| Future income tax asset | 26,166 | 34,260 |
| | 1,742,143 | 1,741,950 |
| Accounts payable | 207,402 | 219,940 |
| Income taxes payable | 22,416 | 17,479 |
| Future income tax liability | 4,664 | 7,270 |
| Other | 29 | 38 |
| | 234,511 | 244,727 |
| Future income tax liability | 75,110 | 78,407 |

The following table provides additional information with respect to amounts included in the cash flow statement of funds provided by (used in) as discontinued operations:

| | THREE MONTHS ENDED JUNE 30, 2005 | 2004 | SIX MONTHS ENDED 2005 | |
|---|-------------------------------------|-----------|--------------------------|----|
| Net earnings of discontinued operations | \$ 16,543 | \$ 5,868 | \$ 66,780 | \$ |
| Items not affecting cash: | | | | |
| Loss (gain) on disposal of discontinued operations | - | (595) | - | |
| Stock based compensation | 1,850 | 484 | 3,945 | |
| Depreciation and amortization | 37,988 | 30,236 | 73,355 | |
| Non-controlling interest | - | 429 | - | |
| Writedown of assets of discontinued operations | - | - | - | |
| Future income taxes | 3,979 | (7,767) | (1,710) | |
| Unrealized foreign exchange loss (gain) on long-term monetary items | (727) | (946) | 177 | |
| Funds provided by discontinued operations | \$ 59,633 | \$ 27,709 | \$ 142,547 | \$ |

5. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current financial statement presentation.

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EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of second quarter ended June 30, 2005, an evaluation of the effectiveness of Precision's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out by Precision's principal executive officer and principal financial officer. Based upon that evaluation, the principal executive officer and principal financial officer have concluded that as of the end of that fiscal quarter, Precision's disclosure controls and procedures are effective to ensure that information required to be disclosed by Precision in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

During the second quarter ending June 30, 2005, there were no changes in Precision's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Precision's internal control over financial reporting.

It should be noted that while Precision's principal executive officer and principal financial officer believe that Precision's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that Precision's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

SHAREHOLDER INFORMATION

DIRECTORS

W.C. (MICKEY) DUNN (2) (3)
EDMONTON, ALBERTA

ROBERT J.S. GIBSON (1) (3)
CALGARY, ALBERTA

PATRICK M. MURRAY (1)
DALLAS, TEXAS

FREDERICK W. PHEASEY (2) (3)
EDMONTON, ALBERTA

ROBERT L. PHILLIPS (2) (3)
VANCOUVER, BRITISH COLUMBIA

HANK B. SWARTOUT
CALGARY, ALBERTA

H. GARTH WIGGINS (1)
CALGARY, ALBERTA
(1) AUDIT COMMITTEE MEMBER
(2) COMPENSATION COMMITTEE MEMBER
(3) CORPORATE GOVERNANCE AND NOMINATING COMMITTEE MEMBER

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OFFICERS

HANK B. SWARTOUT
CHAIRMAN OF THE BOARD, PRESIDENT
AND CHIEF EXECUTIVE OFFICER

IAN E. KELLY
SENIOR VICE PRESIDENT,
INTERNATIONAL DRILLING

JOHN R. KING
SENIOR VICE PRESIDENT,
ENERGY SERVICES

M.J. (MICK) MCNULTY
SENIOR VICE PRESIDENT,
OPERATIONS FINANCE

R.T. (BOB) GERMAN
VICE PRESIDENT AND
CHIEF ACCOUNTING OFFICER

JAN M. CAMPBELL
CORPORATE SECRETARY

HEAD OFFICE
PRECISION DRILLING CORPORATION
4200, 150-6TH AVENUE S.W.
CALGARY, ALBERTA, CANADA
T2P 3Y7
TELEPHONE: 403-716-4500
FACSIMILE: 403-264-0251
WEBSITE: www.precisiondrilling.com

LEAD BANK
ROYAL BANK OF CANADA
CALGARY, ALBERTA

LEGAL COUNSEL
BORDEN LADNER GERVAIS LLP
CALGARY, ALBERTA

PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP
NEW YORK, NEW YORK

AUDITORS
KPMG LLP
CALGARY, ALBERTA

STOCK EXCHANGE LISTINGS
Common shares of Precision Drilling Corporation are listed on The Toronto Stock Exchange under the trading symbol PD and PD.U, and on the New York Stock Exchange under the trading symbol PDS.

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TRADING PROFILE

TORONTO (TSX:PD)

April 1, 2005 to

June 30, 2005

High: \$52.06

Low: \$43.41

Volume traded: 53.9 million

NEW YORK (NYSE:PDS)

April 1, 2005 to

June 30, 2005

High: US \$41.64

Low: US \$34.63

Volume traded: 44.9 million

TRANSFER AGENT AND REGISTRAR

COMPUTERSHARE TRUST COMPANY OF CANADA

Calgary, Alberta

TRANSFER POINT

COMPUTERSHARE TRUST COMPANY, INC.

NEW YORK, NEW YORK

ACCOUNT QUESTIONS

Our Transfer Agent can help you with a variety of shareholder related services, including:

*Change of address

*Lost share certificates

*Transfer of stock to another person

*Estate settlement

You can call our Transfer Agent toll free at: 1-888-267-6555 You can write to them at:

COMPUTERSHARE TRUST COMPANY OF CANADA

100 University Avenue

9th Floor

Toronto, Ontario M5J 2Y1

Or you can email them at:

caregistryinfo@computershare.com

Shareholders of record who receive more than one copy of this report can contact our Transfer Agent and arrange to have their accounts consolidated. Shareholders who own Precision shares through a brokerage firm can contact their broker to request consolidation of their accounts.
online information

To receive our news releases by e-mail, or to view this interim report, please visit our web site at www.precisiondrilling.com and refer to the Investor Relations section.

ESTIMATED RELEASE DATES FOR FINANCIAL RESULTS

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2005 Third Quarter -
October 27, 2005