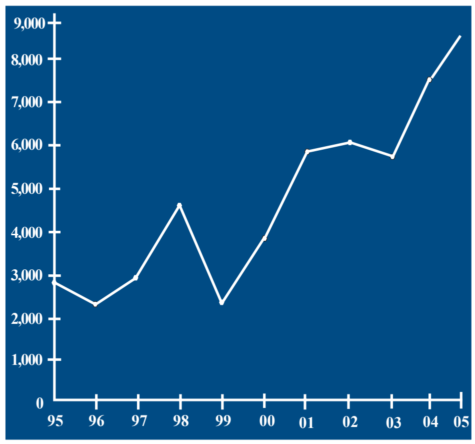
FIRST QUARTERLY

Interim report for
3 months ended
March 31, 2005

To the Shareowners

AKITA Drilling Ltd.'s net earnings for the three months ended March 31, 2005 were $8,685,000 or $0.93 per share on revenue of $49,889,000. Comparative figures for 2004 were earnings of $7,437,000 or $0.82 per share on revenue of $44,300,000. Cash flow for the period was $13,530,000 compared to $11,747,000 in 2004. The earnings and cash flow are record results for any quarter for AKITA.



Net Earnings January to March ($ 000's)

In southern markets, demand in the second and third quarters for singles, doubles and light triples is generally stronger than one year ago. Start-up for these rig classifications is dependent upon favourable weather conditions. Deep capacity triples have fewer drilling prospects with work being more reliant on rig locations and market pricing. Rigs located in the arctic will not be working again until freeze-up, as is typical for rigs working in muskeg conditions. Demand for service rigs remains steady.

Strong market conditions that prevailed throughout 2004 continued into the first quarter of 2005. During the first three months of 2005, the Company drilled 337 wells and achieved 2,444 operating days. This represented 73% utilization for the period. A total of 398 wells were drilled over 2,301 operating days in the corresponding period in 2004, which represented 70% utilization.

Contribution margins remain strong as a result of the high activity levels. Operating margins for rigs not working under long-term contracts were at record highs for the Company.

On March 14, 2005, the Company announced that it has signed a four-year contract with a large independent oil and gas producer to build a rig to perform exploratory drilling services on the North Slope of Alaska. The rig is currently under construction in Canada and is scheduled to be operating in 2006 by the newly formed joint venture – Doyon Akita J.V.

At the Annual Meeting of Shareholders on May 26, 2005, shareowners will be asked to vote on a special resolution amending the Corporation's Articles to divide the issued and outstanding Class A Non-Voting Shares and the Class B Common Shares on a two for one basis. The Board of Directors believes that the proposed share split will encourage greater market liquidity, as a lower share price makes a board lot more affordable, particularly to smaller shareowners. The share split will not change the rights of holders of Class A Non-Voting Shares or the Class B Common Shares

On behalf of the Board of Directors,

(signed)
Ronald D. Southern
Chairman of the Board

(signed)
John B. Hlavka
President and C.E.O.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited financial statements for the three months ended March 31, 2005 and the audited financial statements and MD&A for the year ended December 31, 2004. References made to 2004 in this MD&A relate to the period from January to March unless otherwise stated. The information in this MD&A was approved by AKITA's Audit Committee on behalf of its Board of Directors on May 2, 2005 and incorporates all relevant considerations to that date.

Management has prepared this MD&A as well as the accompanying interim financial statements and notes to the interim financial statements. The Company's external auditors have reviewed the accompanying financial statements for the three month period ended March 31, 2005. No audit or review was undertaken for the comparative 2004 period.

REVENUE AND OPERATING & MAINTENANCE EXPENSES

$Million	Three Months Ended March 31			
	2005	2004	Change	%
Revenue	49.9	44.3	5.6	13%
Operating & Maintenance Expenses	29.0	25.3	3.7	14%

Overall revenue increased to $49,889,000 during the first quarter of 2005 compared to $44,300,000 during the first quarter of 2004 as a result of stronger activity in the drilling sector. Revenue per operating day increased to $20,413 during the first quarter of 2005 compared to $19,252 per operating day in the first quarter of 2004, as a result of increased dayrates for AKITA's drilling rigs not working under long-term contracts. Operating and maintenance costs vary directly with revenue and amounted to $29,005,000 or $11,868 per operating day during the first quarter of 2005 compared to $25,335,000 or $11,010 per operating day in the same period of the prior year.

DEPRECIATION EXPENSE

$Million	Three Months Ended March 31			
	2005	2004	Change	%
Depreciation expense	4.2	3.6	0.6	15%

The depreciation expense increase to $4,182,000 during the first quarter of 2005 compared to $3,635,000 in the corresponding period in 2004 was attributable to a higher average cost base for AKITA's drilling rig fleet combined with an increase in activity levels for deep drilling rigs. AKITA's drilling rigs are depreciated on a unit of production basis. Drilling rig depreciation accounted for 81% of total depreciation expense in the first quarter of 2005 (2004 - 84%).

SELLING & ADMINISTRATIVE EXPENSE

$Million	Three Months Ended March 31			
	2005	2004	Change	%
Selling & Admin Expense	3.7	3.9	(0.2)	(6%)

Selling and administrative expenses were 7.4% of total revenue in the first quarter of 2005 compared to 8.9% of total revenue in the first quarter of 2004. The single largest component was salaries and benefits, which accounted for 56% of these expenses (53% in 2004). In addition, the 2004 comparative results included a $276,000 expense for an uncollectible account. No corresponding expense occurred in the first quarter of 2005.

OTHER INCOME (EXPENSE)

$Million	Three Months Ended March 31			
	2005	2004	Change	%
Other Income	0.3	0.1	0.2	N/A

Interest on long-term debt decreased to $65,000 in 2005 compared to $140,000 in the corresponding period in 2004, as a result of decreased loan balances. The Company invests any cash balances in excess of its ongoing operating requirements. Interest income increased to $213,000 compared to $145,000 in the corresponding period in 2004 as a result of higher cash balances in 2005. On a "net interest basis" (i.e. interest expense less interest income) AKITA generated $148,000 of interest income in the first quarter of 2005 compared to interest income of $5,000 in the corresponding period in 2004. Gain on sale of joint venture rigs totalled $187,000 in 2005 compared to $122,000 in the first quarter in 2004.

INCOME TAX EXPENSE

$Million	Three Months Ended March 31			
	2005	2004	Change	%
Current Tax	3.9	3.4	0.5	15%
Future Tax	0.8	0.7	0.1	10%

Total income tax expense increased to $4,675,000 in the first quarter of 2005 compared to $4,093,000 in the corresponding period in 2004 due to increased pre-tax earnings, which were partially offset by reduced tax rates.

NET EARNINGS AND CASH FLOW

$Million	Three Months Ended March 31			
	2005	2004	Change	%
Net Earnings	8.7	7.4	1.3	17%
Cash Flow From Operations	13.5	11.7	1.8	15%

Net earnings increased to $8,685,000 or $0.93 per Class A Non-Voting and Class B Common Share for the first quarter of 2005 compared to $7,437,000 or $0.82 per share in the first quarter of 2004. Cash flow from operations increased to $13,530,000 in the first quarter of 2005 compared to $11,747,000 in the corresponding quarter in 2004. These results represented record earnings and cash flow from operations for any quarter for AKITA and were attributable to strong activity levels and record rig revenue rates.

Historically, the first quarter of the calendar year is the strongest in the drilling industry. Lower activity levels that result from warmer weather necessitating travel bans on public roads characterize the normally weaker second quarter.

FLEET AND RIG UTILIZATION

AKITA operated 37 drilling rigs including seven that operated under joint ventures (34.08 rigs net to AKITA) in the first quarter of 2005 compared to 36 drilling rigs (33.45 net) in the corresponding period of 2004. In the first quarter of 2005 AKITA achieved 2,444 operating days, which corresponded to a utilization rate of 73.4% for the period. During the comparative period in 2004, the Company achieved 2,301 operating days representing 70.2% utilization.

In addition to drilling rigs, the Company also owns a 50% interest in three well servicing rigs. In the first quarter of 2005, AKITA achieved 2,512 operating hours with its service rigs. Since these service rigs were acquired on October 1, 2004 no results are available for the first quarter comparative period in 2004.

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures totalled $1,127,000 in the first quarter of 2005. No individual project dominated current capital spending. Capital expenditures for the corresponding period in 2004 were $1,309,000.

During the last 12 months, AKITA's balance sheet has been strengthened by the routine payment of long-term debt and as a result of the conversion of preferred shares into Class A Non-voting shares. At March 31, 2005, AKITA's balance sheet included $2,578,000 in long-term debt compared to $8,028,000 at March 31, 2004 and $3,973,000 at December 31, 2004. The existing balance is scheduled for repayment during 2005.

The seasonal nature of AKITA's business often results in the timing of cash receipts in a manner that does not correlate directly with the level of earnings. At March 31, 2005 cash balances were $29,867,000 compared to $23,618,000 at March 31, 2004 and $27,452,000 at December 31, 2004. Although cash increased $2,415,000 (8.8%) since year-end, accounts receivable increased $8,115,000 (23.2%) from $34,926,000 to $43,041,000 during that same period. Typically, the level of accounts receivable is directly related to business activity levels and result in the highest balances being recorded during the first quarter of each year.

During the first quarter of 2005, the Company repurchased 13,300 Class A Non-Voting shares at an average price of $29.91 pursuant to its Normal Course Issuer Bid.

Contractual obligations are substantially the same as described in AKITA's MD&A for the year ended December 31, 2004.

FUTURE OUTLOOK

Activity levels are expected to remain strong for both spring and summer. The greatest demand appears to be for shallow capacity rigs, which is consistent with the corresponding period in 2004. AKITA's balanced fleet is well suited to respond to demand in any depth category. Current industry activity levels should help to ensure that dayrates also remain strong.

FORWARD-LOOKING STATEMENTS

From time to time AKITA makes forward-looking statements. These statements include but are not limited to comments with respect to AKITA's objectives and strategies, financial condition, results of operations, the outlook for industry and risk management discussions.

By their nature, these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that the predictions and other forward-looking statements will not be achieved. Readers of this MD&A are cautioned not to place undue reliance on these statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, estimates and intentions expressed in such forward-looking statements.

Forward-looking statements may be influenced by the following factors: the level of exploration and development activity carried on by AKITA's customers; world oil prices and North American natural gas prices; weather; access to capital markets and government policies. We caution that the foregoing list of factors is not exhaustive and that investors and investment advisors should carefully consider the foregoing factors as well as other uncertainties and events prior to making a decision to invest in AKITA.

Balance Sheet

($000's)	March 31 2005	March 31 2004	December 31 2004
	Unaudited	Unaudited	Audited
ASSETS			
Current assets			
Cash	**$29,867**	$23,618	$27,452
Accounts receivable	**43,041**	37,562	34,926
Other	**942**	525	104
	73,850	61,705	62,482
Investments	**55**	55	55
Capital assets	**97,203**	94,566	100,420
	$171,108	$156,326	$162,957
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	**$17,106**	$16,353	$16,570
Income tax payable	**2,421**	2,225	1,525
Current portion of long-term debt	**2,578**	5,450	3,973
Current portion of series preferred shares	**-**	4,937	-
	22,105	28,965	22,068
Long-term debt	**-**	2,578	-
Future income taxes	**13,877**	11,899	13,113
Pension liability	**2,913**	2,670	2,850
CLASS A AND CLASS B SHAREHOLDERS' EQUITY			
Series preferred shares	**-**	228	-
Class A and Class B shares	**23,636**	18,757	23,669
Contributed surplus	**410**	94	386
Retained earnings	**108,167**	91,135	100,871
	132,213	110,214	124,926
	$171,108	$156,326	$162,957

Statement of Earnings and Retained Earnings

Unaudited ($000's Except per share amounts)

Three Months Ended March 31	**2005**	2004
REVENUE	**$49,889**	$44,300
COSTS AND EXPENSES		
Operating and maintenance	**29,005**	25,335
Depreciation	**4,182**	3,635
Selling and administrative	**3,677**	3,927
	36,864	32,897
Operating Income	**13,025**	11,403
OTHER INCOME (EXPENSE)		
Interest on long-term debt	**(65)**	(140)
Interest income	**213**	145
Gain on sale of joint venture interests in rigs	**187**	122
	335	127
EARNINGS BEFORE INCOME TAXES	**13,360**	11,530
INCOME TAXES		
Current	**3,911**	3,396
Future	**764**	697
	4,675	4,093
NET EARNINGS	**8,685**	7,437
Retained earnings, beginning of period	**100,871**	84,602
Dividends	**(1,025)**	(904)
Adjustment on repurchase and cancellation of share capital	**(364)**	-
RETAINED EARNINGS, END OF PERIOD	**$108,167**	$91,135
EARNINGS PER CLASS A & CLASS B SHARE		
Basic	**$0.93**	$0.82
Diluted	**$0.93**	$0.80

Statement of Cash Flows

Unaudited ($000's)

Three Months Ended March 31	**2005**	2004
OPERATING ACTIVITIES		
Net earnings	**$8,685**	$7,437
Non-cash items included in earnings		
Depreciation	**4,182**	3,635
Future income taxes	**764**	697
Expense for defined benefit pension plan	**63**	60
Amortization of preferred share discount	**-**	19
Stock options charged to expense	**24**	21
Gain on sale of joint venture interests in rigs	**(187)**	(122)
Cash flow from operations	**13,531**	11,747
Change in non-cash working capital	**(7,790)**	(11,363)
	5,741	384
INVESTING ACTIVITIES		
Capital expenditures	**(1,127)**	(1,309)
Proceeds on sale of joint venture interests in rigs	**349**	231
Change in non-cash working capital	**177**	(1,365)
	(601)	(2,443)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(1,395)**	(1,311)
Dividends	**(1,025)**	(902)
Proceeds received on exercise of stock options	**-**	70
Repurchase of share capital	**(397)**	-
Change in non-cash working capital	**92**	(86)
	(2,725)	(2,229)
INCREASE (DECREASE) IN CASH	**2,415**	(4,288)
Cash position, beginning of period	**27,452**	27,906
CASH POSITION, END OF PERIOD	**$29,867**	$23,618
Interest paid during the period	**$57**	$192
Income taxes paid during the period	**$3,015**	$4,990

Notes to Financial Statements

Periods ended March 31, 2005 and March 31, 2004
(Unaudited) (tabular amounts in thousands of dollars, except where noted)

1. STATEMENT PRESENTATION

The unaudited interim financial statements were prepared by the Company in accordance with Canadian generally accepted accounting principles. The accounting policies and procedures used in assembling these interim financial statements are the same as those used in preparing the audited financial statements for the year ended December 31, 2004. The unaudited interim financial statements should be read along with the audited annual financial statements and notes to the financial statements in the Company's 2004 Annual Report. The operating and financial results for the interim period covered do not necessarily reflect overall results which may be achieved in the fiscal year due to the seasonality of the industry.

2. CLASS A NON-VOTING AND CLASS B COMMON SHARES

Class A Non-Voting and Class B Common shares issued and outstanding are as follows:

	March 31 2005	December 31 2004
Class A Non-Voting	8,482,429	8,495,729
Class B Common	827,142	827,142
	9,309,571	9,322,871

As at March 31, 2005, a cumulative total of 114,000 stock options had been granted to directors and officers of the Company at exercise prices varying from $7.39 to $26.98, with expiry dates up to 2013. Of these stock options, 73,900 are exercisable for an average exercise price of $13.60.

3. EARNINGS PER SHARE

	Three Months Ended March 31	
	2005	2004
Net earnings	$8,685	$7,437
Weighted average outstanding shares - basic	9,318,384	9,030,481
Incremental shares for diluted earnings per share calculation	54,738	378,031
Adjustment to earnings for preferred share conversion	-	50
Basic earnings per share ($)	$0.93	$0.82
Diluted earnings per share ($)	$0.93	$0.80

CORPORATE INFORMATION

DIRECTORS

William L. Britton, Q.C.
Vice Chairman of the Board and Lead Director, ATCO Ltd. and Canadian Utilities Limited
Calgary, Alberta

Linda A. Heathcott
Executive Vice President, Spruce Meadows,
President, Team Spruce Meadows Inc.
Deputy Chairman of the Board of the Corporation
Calgary, Alberta

John B. Hlavka
President and Chief Executive Officer of the Corporation
Calgary, Alberta

William R. Horton
Corporate Director
Winfield, British Columbia

Dale R. Richardson
Vice President, Sentgraf Enterprises Ltd.
Calgary, Alberta

Margaret E. Southern, O.C., L.V.O., LL.D.
President, Spruce Meadows
Calgary, Alberta

Nancy C. Southern
President and Chief Executive Officer, ATCO Ltd. and Canadian Utilities Limited
Calgary, Alberta

Ronald D. Southern, O.C., C.B.E., C.M., LL.D.
Chairman, ATCO Ltd. and Canadian Utilities Limited, Chairman of the Board of the Corporation
Calgary, Alberta

C. Perry Spitznagel
Partner, Bennett Jones LLP
Calgary, Alberta

Charles W. Wilson
Corporate Director
Evergreen, Colorado

OFFICERS

John B. Hlavka
President and Chief Executive Officer

Robert J. Hunt
Senior Vice President, Marketing and the North

Craig W. Kushner
Corporate Secretary and Human Resources Administrator

Murray J. Roth
Vice President Finance

Karl A. Ruud
Executive Vice President and Chief Operating Officer

HEAD OFFICE

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BANKER

Alberta Treasury Branches
Calgary, Alberta

COUNSEL

Bennett Jones LLP
Calgary, Alberta

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

CIBC Mellon Trust Company
Calgary, Alberta and Toronto, Ontario
1-800-387-0825

SHARE SYMBOL/TSX

Class A Non-Voting (AKT.NV.A)
Class B Common (AKT.B)

WEBSITE

www.akita-drilling.com