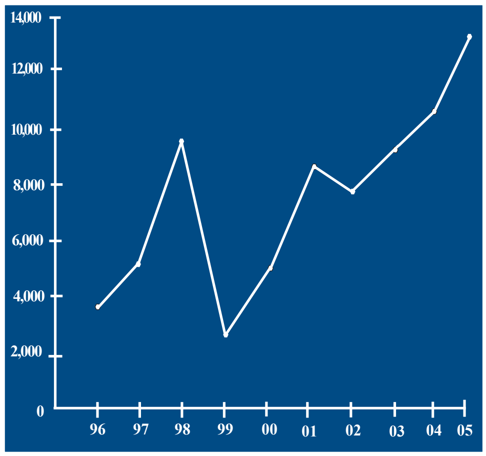
SECOND QUARTERLY

Interim report for
6 months ended
June 30, 2005

To the Shareowners

AKITA Drilling Ltd.'s net earnings for the six months ended June 30, 2005 were $12,580,000 or $0.68 per share on revenue of $74,729,000. Comparative figures for 2004 were $10,397,000 or $0.58 per share of earnings on revenue of $68,182,000. Cash flow from operations for the period was $19,515,000 compared to $17,396,000 in 2004.



Net Earnings January to June ($ 000's)

Earnings for the three months ended June 30, 2005 were $3,895,000 ($0.21 per share) on revenue of $24,840,000 compared with $2,960,000 ($0.16 per share) on revenue of $23,882,000 in 2004. Cash flow from operations for the quarter ended June 30, 2005 was $5,984,000 compared to $5,649,000 in the corresponding quarter in 2004.

All per share amounts have been retroactively restated to reflect the impact of the Company's two-for-one share split implemented on June 8, 2005.

During the first six months of 2005, the Company drilled 586 wells and achieved 3,656 operating days. This represented 55% utilization for the period. A total of 660 wells were drilled over 3,547 operating days in the corresponding period in 2004, which represented 54% utilization. Unseasonably wet weather in June of the current year as compared to the same period in 2004 had a negative impact on utilization rates due to restricted access to several drilling sites. Improved day rates in the current year buffered the adverse financial impact of the lower activity.

Construction is continuing as planned on the rig that will be operated by the Doyon Akita Joint Venture under a four-year contract in Alaska. Rig operations are set to commence by the beginning of 2006.

Although weather had an adverse effect on rig utilization during the second quarter, demand for rigs in all depth categories should continue to remain strong as a result of currently high oil and gas commodity prices. Management is focused on seeking opportunities that meet the Company's current strengths in the North and in heavy oil. As well, the Company is interested in exploring ways to increase the opportunities for its well servicing operations.

On behalf of the Board of Directors,

(signed)	(signed)
Ronald D. Southern	John B. Hlavka
Chairman of the Board	*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 six months ended June 30, 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 June unless otherwise stated. The information in this MD&A was approved by AKITA's Audit Committee on behalf of its Board of Directors on July 27, 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 financial statements.

REVENUE AND OPERATING & MAINTENANCE EXPENSES

$Million	*Three Months Ended June 30*				*Six Months Ended June 30*			
	2005	2004	Change	%	2005	2004	Change	%
Revenue	24.8	23.9	0.9	4%	74.7	68.2	6.5	10%
Operating & Maintenance Expenses	13.9	14.1	(0.2)	(1%)	42.9	39.4	3.5	9%

Revenue increased to $74,729,000 during the first six months of 2005 from $68,182,000 as a result of stronger activity in the drilling sector. Day rates increased by approximately 6% over the six-month corresponding periods and equated to $20,440 per operating day in 2005 ($19,222 in the first six months of 2004). Operating and maintenance costs vary directly with revenue and amounted to $42,950,000 or $11,748 per operating day during the six months of 2005 compared with $39,449,000 or $11,122 per operating day for the first half of 2004. Consequently, on a six-month basis, in addition to increased overall profit margins (the difference between revenue and operating and maintenance expenses), "per operating day" margins were also higher.

During the second quarter of fiscal 2005, revenue increased to $24,840,000 compared to $23,882,000 during the corresponding period in 2004. On a "per operating day" basis, second quarter revenue increased from $19,213 per day in 2004 to $20,495 per day in the current year. Operating and maintenance costs for the second quarters amounted to $13,945,000 or $11,505 per operating day during 2005 compared with $14,114,000 or $11,355 per operating day for 2004. Strong market conditions and the amount of revenue derived from rigs placed on a "standby" basis continued to have a positive impact on the second quarter profit margins and "per operating day" results.

DEPRECIATION EXPENSE

$Million	*Three Months Ended June 30*				*Six Months Ended June 30*			
	2005	2004	Change	%	2005	2004	Change	%
Depreciation	2.3	2.3	(0.0)	(4.0%)	6.4	6.0	0.4	8%

The depreciation increase to $6,441,000 during the first six months of 2005 from $5,984,000 in the corresponding period in 2004 was attributable to increased activity levels throughout AKITA's rig fleet combined with a higher average cost base for AKITA's rigs. AKITA's rigs are depreciated on a unit of production basis. This method of depreciation resulted in second quarter depreciation being lower in 2005 than for the corresponding period in 2004 due to the actual mix of rigs operating. Drilling rig depreciation accounted for 71% of total depreciation expense in the first six months of 2005 (2004 - 77%).

SELLING & ADMINISTRATIVE EXPENSE

$Million	*Three Months Ended June 30*				*Six Months Ended June 30*			
	2005	2004	Change	%	2005	2004	Change	%
Selling and Admin Expense	3.5	2.9	0.6	20%	7.1	6.8	0.3	5%

Selling and administrative expenses were 9.6% of total revenue in the first six months of 2005 compared to 10.0% of total revenue in 2004. The single largest component was salaries and benefits, which accounted for 57% of these expenses (55% in 2004). In addition, the 2004 results included a $276,000 expense for a bad debt. No corresponding expense occurred in the first six months of 2005.

OTHER INCOME (EXPENSE)

$Million	*Three Months Ended June 30*				*Six Months Ended June 30*			
	2005	2004	Change	%	2005	2004	Change	%
Other Income (Expense)	0.8	0.1	0.7	N/A	1.2	0.2	1.0	N/A

Interest expense for the first six months of 2005 decreased to $106,000 from $401,000 in the first six months of 2004 as a result of reduced long-term debt. Cash balances held which are surplus to current daily operating requirements have increased in 2005 and have resulted in AKITA generating $546,000 in interest income for the first six months in 2005 compared with $434,000 for the corresponding period in 2004. On a "net interest basis" (i.e. interest expense less interest income) AKITA was able to generate $440,000 of interest income in the first six months of 2005 compared to interest income of $33,000 in the corresponding period in 2004. Gains from the partial sale of rigs and other capital assets totalled $714,000 during the first six months of 2005, compared with gains of $176,000 for the corresponding period in 2004.

INCOME TAX EXPENSE

$Million	*Three Months Ended June 30*				*Six Months Ended June 30*			
	2005	2004	Change	%	2005	2004	Change	%
Current Tax	1.8	1.3	0.5	38%	5.7	4.7	1.0	21%
Future Tax	0.3	0.3	0.0	N/A	1.0	1.0	0.0	N/A

Income tax expense increased to $6,773,000 in the first six months of 2005 from $5,724,000 in 2004 due to higher pre-tax earnings partially offset by lower tax rates.

NET EARNINGS AND CASH FLOW

$Million	Three Months Ended June 30				Six Months Ended June 30			
	2005	2004	Change	%	2005	2004	Change	%
Net Earnings	3.9	3.0	0.9	32%	12.6	10.4	2.2	21%
Cash Flow from Operations	6.0	5.6	0.4	6%	19.5	17.4	2.1	12%

Net earnings increased to $12,580,000 or $0.68 per Class A Non-Voting and Class B Common share ($0.67 diluted earnings per share) for the first six months of 2005 from $10,397,000 or $0.58 per share ($0.56 diluted earnings per share) in 2004. Cash flow from operations increased to $19,515,000 in the first two quarters of 2005 from $17,396,000 in 2004. During the three months ended June 30, 2005 earnings increased to $3,895,000 ($0.21 basic and diluted earnings per share) compared to $2,960,000 ($0.16 basic and diluted earnings per share) for the corresponding period last year. Dilution for the three and six month periods in 2005 was determined based upon outstanding stock options. Quarterly cash flow from operations increased to $5,984,000 for the three months ended June 30, 2005 compared to $5,649,000 for the corresponding period in 2004. Current year results were positively affected by stronger market conditions, particularly in the first quarter. The second quarter of 2005 was characterized by unseasonably wet weather, particularly in June, which adversely impacted the full potential of the continuing strong market. Per share amounts have been retroactively restated to reflect the impact of the Company's two-for-one share split implemented on June 8, 2005.

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 second quarter.

FLEET AND RIG UTILIZATION

AKITA's fleet is comprised of 37 drilling rigs, including seven that are operated under joint ventures (34.08 rigs net to AKITA). During 2005, the Company achieved 3,656 operating days including 1,212 operating days during the second quarter. This equated to a utilization rate of 54.6% on a year-to-date basis and 36.0% for the second quarter. During the corresponding six months in 2004, the Company achieved 3,547 operating days including 1,243 operating days during the second quarter. The comparative results represented 54.2% utilization for the six-month period ended June 30, 2004 including 37.9% for the second quarter. Wet weather in the second quarter of the current year impeded the movement of rigs for a portion of that period, thereby resulting in lower utilization than for the comparable period in 2004. Shallow capacity drilling rigs have been the most active market segment.

In addition to drilling rigs, the Company owns a 50% interest in three well servicing rigs. In the first six months of 2005, AKITA achieved 3,019 operating hours with its service rigs. As these service rigs were acquired on October 1, 2004, no results are available for the comparative six month period in 2004.

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures in the first six months of 2005 were $5,898,000. Capital expenditures for the corresponding period in 2004 were $5,916,000.

Construction of the rig designed for Alaska North Slope exploration, announced on March 14, 2005, is continuing on schedule and on budget. The rig is expected to commence drilling operations by the beginning of 2006.

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 June 30, 2005, AKITA's balance sheet included $1,161,000 in long-term debt compared to $6,696,000 at June 30, 2004 and $3,973,000 at December 31, 2004. The existing balance is scheduled for repayment during 2005.

On May 26, 2005, AKITA's shareholders approved a two-for-one share split of its Class A Non-Voting and Class B Common shares. The shares commenced trading on a subdivided basis on June 8, 2005.

On June 6, 2005, the Company renewed its normal course issuer bid for the purchase of up to 3% of the outstanding Class A Non-Voting Shares. To June 30, 2005, 56,000 shares (after taking into consideration the share split noted above) were repurchased and cancelled pursuant to normal course issuer bids at a cost of $822,000 of which $33,000 was charged to share capital and $789,000 to retained earnings. During the first six months of 2004 the Company repurchased and cancelled 2,600 shares at a cost of $66,000. The current bid expires on June 5, 2006. Any interested person may obtain a copy of the notice without charge by contacting the Vice President of Finance.

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

FUTURE OUTLOOK

Activity levels, which were 1.9 percentage points lower in the second quarter of 2005 compared to the corresponding period in 2004, are expected to recover over the balance of the year with demand for all rig sizes continuing at a steady pace. The currently strong market has motivated the Company to temporarily relocate one of its Northern joint venture rigs into Alberta, commencing during the third quarter. As well, preparatory work is being performed on the SDC Offshore Vessel in order to facilitate AKITA's first offshore labour contract planned for this winter.

Rigs in the North will not be working again until freeze up, as is typical for rigs working in regions with muskeg conditions. Although customers have not yet finalized their plans for the upcoming winter season, it currently appears that the number of wells scheduled for "North of 60" may be comparable to last winter.

NON-GAAP MEASURES

Cash flow from operations is not a recognized measure under generally accepted accounting principles (GAAP). AKITA's method of determining cash flow from operations may differ from methods used by other companies and involves including operating cash flow before working capital changes. Management finds cash flow from operations to be a useful measurement to evaluate the Company's operating results at year-end and within each year since the seasonal nature of the business affects the comparability of non-cash working capital changes both between and within periods.

Operating income is not a recognized measure under GAAP. AKITA's method of determining operating income may differ from methods used by other companies and, accordingly operating income may not be comparable to measures used by other companies. Management believes that in addition to net earnings, operating income is a useful supplementary measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how those activities are financed or taxed. Investors should be cautioned, however, that operating income should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of AKITA's performance.

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

Unaudited
($000's)

	June 30 2005	June 30 2004	December 31 2004
ASSETS			
Current assets			
Cash	**$46,723**	$38,030	$27,452
Accounts receivable	**20,919**	17,753	34,926
Other	**693**	592	104
	68,335	56,375	62,482
Investments	**55**	55	55
Capital assets	**98,936**	96,602	100,420
	$167,326	$153,032	$162,957
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	**$12,515**	$13,124	$16,570
Income tax payable	**1,881**	1,106	1,525
Current portion of long-term debt	**1,161**	5,535	3,973
Current portion of series preferred shares	**-**	4,956	-
	15,557	24,721	22,068
Long-term debt	**-**	1,161	-
Future income tax	**14,147**	12,193	13,113
Pension liability	**2,976**	2,730	2,850
CLASS A AND CLASS B SHAREHOLDERS' EQUITY			
Preferred shares	**-**	228	-
Class A and Class B shares	**23,598**	18,752	23,669
Contributed surplus	**434**	115	386
Retained earnings	**110,614**	93,132	100,871
	134,646	112,227	124,926
	$167,326	$153,032	$162,957

Statement of Earnings and Retained Earnings

Unaudited ($000's except per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	**2005**	2004
REVENUE	**$ 24,840**	$ 23,882	**$ 74,729**	$ 68,182
COSTS AND EXPENSES				
Operating and maintenance	**13,945**	14,114	**42,950**	39,449
Depreciation	**2,259**	2,349	**6,441**	5,984
Selling and administrative	**3,462**	2,910	**7,139**	6,837
	19,666	19,373	**56,530**	52,270
Operating income	**5,174**	4,509	**18,199**	15,912
OTHER INCOME (EXPENSE)				
Interest on long-term debt	**(41)**	(261)	**(106)**	(401)
Interest income	**333**	289	**546**	434
Gain on sale of joint venture interests in rigs and other capital assets	**527**	54	**714**	176
	819	82	**1,154**	209
EARNINGS BEFORE INCOME TAXES	**5,993**	4,591	**19,353**	16,121
INCOME TAXES				
Current	**1,828**	1,337	**5,739**	4,733
Future	**270**	294	**1,034**	991
	2,098	1,631	**6,773**	5,724
NET EARNINGS	**3,895**	2,960	**12,580**	10,397
Retained earnings, beginning of period	**108,167**	91,135	**100,871**	84,602
Dividends	**(1,023)**	(902)	**(2,048)**	(1,806)
Adjustment on repurchase and cancellation of share capital	**(425)**	(61)	**(789)**	(61)
RETAINED EARNINGS, END OF PERIOD	**$ 110,614**	$ 93,132	**$ 110,614**	$ 93,132
EARNINGS PER CLASS A AND CLASS B SHARE				
Basic	**$ 0.21**	$ 0.16	**$ 0.68**	$ 0.58
Diluted	**$ 0.21**	$ 0.16	**$ 0.67**	$ 0.56

Statement of Cash Flows

Unaudited ($000's)

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	**2005**	2004
OPERATING ACTIVITIES				
Net earnings	**$3,895**	$2,960	**$12,580**	$10,397
Non-cash items included in earnings				
Depreciation	**2,259**	2,349	**6,441**	5,984
Future income taxes	**270**	294	**1,034**	991
Expense for defined benefit pension plan	**63**	60	**126**	120
Amortization of preferred share discount	**-**	19	**-**	38
Stock options charged to expense	**24**	21	**48**	42
Gain on sale of joint venture interests in rigs and other capital assets	**(527)**	(54)	**(714)**	(176)
Cash flow from operations	**5,984**	5,649	**19,515**	17,396
Change in non-cash working capital	**17,367**	15,264	**9,577**	3,901
	23,351	20,913	**29,092**	21,297
INVESTING ACTIVITIES				
Capital expenditures	**(4,771)**	(4,607)	**(5,898)**	(5,916)
Proceeds on sales of joint venture interests in rigs and other capital assets	**1,306**	276	**1,655**	507
Change in non-cash working capital	**(125)**	38	**52**	(1,327)
	(3,590)	(4,293)	**(4,191)**	(6,736)
FINANCING ACTIVITIES				
Repayment of long-term debt	**(1,417)**	(1,332)	**(2,812)**	(2,643)
Dividends	**(1,023)**	(904)	**(2,048)**	(1,806)
Issue of share capital	**-**	-	**-**	70
Repurchase of share capital	**(463)**	(66)	**(860)**	(66)
Change in non-cash working capital	**(2)**	94	**90**	8
	(2,905)	(2,208)	**(5,630)**	(4,437)
INCREASE IN CASH	**16,856**	14,412	**19,271**	10,124
Cash position, beginning of period	**29,867**	23,618	**27,452**	27,906
CASH POSITION, END OF PERIOD	**$46,723**	$38,030	**$46,723**	$38,030
Interest paid during period	**$37**	$179	**$94**	$371
Income taxes paid during period	**$2,368**	$2,457	**$5,383**	$7,447

Notes to Financial Statements

Periods ended June 30, 2005 and June 30, 2004
(Unaudited) (tabular amounts in thousands of dollars, except where noted)

1. FINANCIAL 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. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in 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 break up" has a direct effect on the Company's activity levels. In addition, many exploration and development 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 break up affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Company's slowest time.

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

On June 8, 2005, the Company implemented a two-for-one share split of its issued and outstanding Class A Non-Voting and Class B Common shares. All references to net income per share, diluted net income per share, weighted average number of Class A Non-Voting and Class B Common shares outstanding, Class A Non-Voting and Class B Common shares issued and outstanding and options granted and exercised have been retroactively restated to reflect the impact of the Company's two-for-one split.

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

	June 30, 2005	December 31, 2004
Class A Non-Voting	16,935,458	16,991,458
Class B Common	1,654,284	1,654,284
	18,589,742	18,645,742

As at June 30, 2005, a cumulative total of 228,000 stock options had been granted to directors and officers of the Company at exercise prices varying from $3.695 to $13.49, with expiry dates up to 2013. Of these stock options, 147,800 are exercisable for an average exercise price of $6.80.

3. EARNINGS PER SHARE

	Three MonthsEnded June 30		Six MonthsEnded June 30	
	2005	2004	**2005**	2004
Net earnings	$3,895	$2,960	$12,580	$10,397
Weighted average outstanding shares - basic	18,601,762	18,061,632	18,619,169	18,061,236
Incremental shares for diluted earnings per share calculation	110,740	751,334	109,978	749,404
Adjustment to earnings for preferred share conversion	-	50	-	100
Basic earnings per share ($)	$0.21	$0.16	$0.68	$0.58
Diluted earnings per share ($)	$0.21	$0.16	$0.67	$0.56

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

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BANKER

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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