AKITA

Q2

Interim report for 6 months ended June 30, 2008

To the Shareowners

AKITA Drilling Ltd.'s net earnings for the three months ended June 30, 2008 were $1,498,000 ($0.08 per share) on revenue of $20,278,000 compared with $3,091,000 ($0.17 per share) on revenue of $27,315,000 in 2007. Funds flow from continuing operations for the quarter ended June 30, 2008 was $3,335,000 compared to $6,179,000 in the corresponding quarter in 2007. In addition, during the second quarter, the Company generated $5,491,000 from the sale of under utilized assets.

Earnings for the six months ended June 30, 2008 were $9,145,000 ($0.50 per share) on revenue of $67,660,000. Comparative figures for 2007 were earnings of $12,178,000 ($0.67 per share) on revenue of $79,485,000. Funds flow from continuing operations for the period was $17,609,000 compared to $21,717,000 in 2007.

On June 2, 2008, the Company cancelled 229,000 stock options having exercise prices of $22.25 to $22.48 per option. This resulted in a one-time non-cash increase of $1,000,000 in selling and administrative expense and a corresponding increase in contributed surplus. As required by Canadian Generally Accepted Accounting Principles (GAAP), this is an accelerated expense of $1,000,000 for the remaining unrecognized value of the cancelled stock options and is reflected in this quarter rather than over the remaining term of the options.

The negative effect of weaker market conditions was impacted by abnormally wet weather for much of the second quarter, resulting in lower revenue and contribution margins for all rig categories. Operating statistics for the first six months of 2008 and 2007 are as follows:

		Number of Rigs		Number of Wells Drilled	Operating Days (Drilling)
		Gross	Net		
Canadian Drilling	**2008**	**38**	**35.225**	**401**	**2,977**
	2007	39	35.575	487	3,122
Alaskan Drilling	**2008**	**2**	**1.0**	**1**	**60**
	2007	3	1.5	3	131
Total Drilling	**2008**	**40**	**36.225**	**402**	**3,037**
	2007	42	37.075	490	3,253

During the second quarter, the Company sold its joint venture well service assets and one under utilized joint venture drilling rig.

Although overall activity levels for AKITA's fleet have been weaker than during the comparative period in 2007, management is becoming increasingly optimistic about prospects for the future as a number of larger customers are working on plans to develop "higher impact" projects – projects that will require a significant contribution on the part of their suppliers. Any positive impact from these projects will not be visible prior to the upcoming winter.

On behalf of the Board of Directors,

Linda A. Heathcott
Chairman of the Board

John B. Hlavka
Chief Executive Officer

Management's Discussion & 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, 2008 and the audited financial statements and MD&A for the year ended December 31, 2007. References made to 2007 in this MD&A relate to the period from January 1 to June 30 unless otherwise stated. The information in this MD&A was approved by AKITA's Audit Committee on behalf of its Board of Directors on August 7, 2008 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.

Cyclical and Seasonal Nature of AKITA's Operations

The drilling and well servicing sector of the oil and gas industry ranks as one of the most competitive areas of business. As a service industry, its activities are directly affected by its customers' exploration and development efforts which, in turn, are significantly affected by world energy prices and government policies.

Historically, AKITA has generally exceeded industry average rig utilization as a result of customer relations, employee expertise, equipment quality and drilling performance. Western Canadian drilling utilization, which is at a 10 year cyclical low, is summarized in the following table:

Utilization expressed in percentages	AKITA	Industry (1)
2007	**40.9**	37.0
2006	**56.6**	55.1
2005	**59.3**	58.8
2004	**52.2**	52.9
2003	**54.7**	53.1
2002	**46.8**	39.2
2001	**56.9**	53.0
2000	**60.0**	55.2
1999	**49.9**	39.7
1998	**53.8**	44.9
10 year annual average	**53.1**	48.9

(1) Source: Canadian Association of Oilwell Drilling Contractors (CAODC)

Once AKITA's utilization rates recover to more typical levels, even relatively small increases can have a significant positive financial impact on AKITA's performance.

In addition to considerations regarding the cyclical nature of AKITA's business, readers should be aware that historically, the first quarter of the calendar year is the strongest in the drilling industry. Lower activity levels that result from warmer weather which necessitates travel bans on public roads, characterize the second quarter. In 2008, the negative effects of spring break-up were exacerbated by having an extended period of wet weather which, in turn, resulted in many wells being delayed.

The following table summarizes second quarter and year-to-date utilization for AKITA and the Western Canadian drilling industry for 2007 and 2008:

Utilization expressed in percentages	Three Months Ended June 30		Six Months Ended June 30	
	AKITA	Industry (1)	**AKITA**	Industry (1)
2008	**25.4**	19.6	**36.6**	37.9
2007	**31.3**	16.7	**44.4**	41.5

(1) Source: CAODC

Revenue and Operating and Maintenance Expenses

$Million	Three Months Ended June 30				Six Months Ended June 30			
	2008	2007	Change	% Change	**2008**	2007	Change	% Change
Revenue	**20.3**	27.3	(7.0)	(26%)	**67.7**	79.5	(11.8)	(15%)
Operating & Maintenance Expenses	**13.4**	15.9	(2.5)	(16%)	**40.7**	45.6	(4.9)	(11%)

Overall revenue decreased to $67,660,000 during the six months of 2008 from $79,485,000 during the first six months of 2007 as a result of weaker activity for oilfield drilling and well services, particularly in Western and Northern Canada. Although this represented the second consecutive year of “year-over-year” declines in revenue for AKITA, overall, on a 10 year historical basis, revenue for the January to June period has grown at a compound rate of 4.5%. Revenue per operating day decreased to $22,583 during the first six months of 2008 from $25,201 per operating day in the corresponding six month period of 2007. This decrease was directly attributable to lower day rates for AKITA’s rigs. Operating and maintenance costs are also tied to activity levels and amounted to $40,718,000 or $13,590 per operating day during the first six months of 2008 compared to $45,570,000 or $14,191 per operating day in the corresponding period of the prior year. As a result of weak market activity, revenue per operating day results decreased by a wider margin than the related operating and maintenance costs.

During the second quarter of fiscal 2008, overall revenue decreased to $20,278,000 compared to $27,315,000 during the corresponding period in 2007. On a “per operating day” basis, second quarter revenue decreased to $21,664 in 2008 compared to $23,412 per day in 2007, mainly as a result of weaker market conditions. Operating and maintenance costs for the second quarter amounted to $13,403,000 or $14,319 per operating day during 2008 compared to $15,912,000 or $13,704 per operating day for 2007.

In 2006, the Company entered into a multi-year daywork contract for the provision of drilling services which includes certain pre-payment requirements. In this regard, the Company has recorded $1,281,000 at June 30, 2008 as deferred revenue in accordance with its revenue recognition policy (June 30, 2007 - $1,566,000).

Depreciation Expense

$Million	Three Months Ended June 30				Six Months Ended June 30			
	2008	2007	Change	% Change	**2008**	2007	Change	% Change
Depreciation Expense	**3.1**	2.6	0.5	19%	**8.6**	7.5	1.1	15%

The depreciation expense increase to $8,627,000 during the first six months of 2008 from $7,474,000 in the corresponding period in 2007 was attributable to a higher average cost base due to the addition of new rigs to AKITA's rig fleet, which was partially offset by a decrease in overall rig activity. AKITA's rigs are depreciated on a unit of production basis. Drilling rig depreciation accounted for 72% of total depreciation expense in the first six months of 2008 (2007 - 74%).

Selling and Administrative Expense

$Million	Three Months Ended June 30				Six Months Ended June 30			
	2008	2007	Change	% Change	**2008**	2007	Change	% Change
Selling & Administrative Expense	**4.7**	3.9	0.8	21%	**8.9**	8.5	0.4	5%

Selling and administrative expenses were 13.2% of total revenue in the first six months of 2008 compared to 10.6% of total revenue in the corresponding six month period of 2007, largely as a result of decreased revenue in 2008 and the one-time recognition of stock option expense related to the cancellation of stock options. The single largest component was salaries and benefits, which accounted for 60% of these expenses (54% in 2007). During the second quarter of 2008, the Company cancelled 229,000 stock options resulting in a one-time non cash increase of $1,000,000 in selling and administrative expense and a corresponding increase in contributed surplus. As required by Canadian Generally Accepted Accounting Principles (GAAP), this is an accelerated expense of $1,000,000 for the remaining unrecognized value of the cancelled stock options and is reflected in this quarter rather than over the remaining term of the options.

Other Income (Expense)

$Million	Three Months Ended June 30				Six Months Ended June 30			
	2008	2007	Change	% Change	**2008**	2007	Change	% Change
Interest Income	**0.5**	0.4	0.1	25%	**1.0**	0.8	0.2	25%
Gain on Sale of Joint Venture Interests and Other Assets	**0.6**	0.0	0.6	N/A	**0.7**	0.1	0.6	600%
Gain (Loss) on Foreign Currency Translation	**(0.0)**	(0.5)	0.5	N/A	**0.0**	(0.6)	0.6	N/A

The Company invests any cash balances in excess of its ongoing operating requirements in bank guaranteed highly liquid investments. Interest income increased to $977,000 from $784,000 in the corresponding period as a result of higher cash balances in 2008. The gain on sale of joint venture interests in rigs and other assets totalled $664,000 in 2008, compared to $134,000 in the first six months of 2007. In the first six months of 2008, due to the decreased value of the Canadian dollar, the Company recorded a gain from foreign currency translation of $42,000 from its Alaskan operation, compared to a loss from foreign currency translation of $617,000 in the first six months of 2007.

Income Tax Expense

$Million	Three Months Ended June 30				Six Months Ended June 30			
	2008	2007	Change	% Change	**2008**	2007	Change	% Change
Current Tax Expense	**0.5**	1.3	(0.8)	(62%)	**2.7**	4.4	(1.7)	(39%)
Future Tax Expense	**(0.0)**	0.2	(0.2)	N/A	**1.1**	1.6	(0.5)	(31%)

Income tax expense decreased to $3,767,000 in the first six months of 2008 from $5,965,000 in the corresponding period in 2007, due to lower pre-tax earnings, as well as a reduced income tax rate for general income items, excluding the one-time charge for stock option expense, which is not subject to tax deductibility.

Discontinued Operations

$Million	Three Months Ended June 30				Six Months Ended June 30			
	2008	2007	Change	% Change	**2008**	2007	Change	% Change
Gain on Disposals	**1.9**	0.0	1.9	N/A	**1.9**	0.0	1.9	N/A
Discontinued Operations	**(0.2)**	(0.2)	0.0	N/A	**(0.1)**	(0.1)	0.0	N/A

In May, 2008, the Company sold one drilling rig (0.55 net to AKITA), which represented substantially all of the assets for the Akita Sahcho and Akita Kaska Joint Ventures. In June, 2008, the Company sold its well servicing business which included three well servicing rigs (1.5 net to AKITA), which represented substantially all of the assets for the Western Oilfield Servicing Joint Venture. Proceeds from these sales totalled $8,150,000 ($4,375,000 net to AKITA) and resulted in an after tax gain of $1,941,000 to the Company.

In both of the above noted disposals, the assets sold were considered as “non-core” and “underperforming”. Comparative 2007 results of the operations related to these businesses have been retroactively reclassified as discontinued operations.

Net Earnings and Funds Flow

$Million	Three Months Ended June 30				Six Months Ended June 30			
	2008	2007	Change	% Change	**2008**	2007	Change	% Change
Net Earnings	**1.5**	3.1	(1.6)	(52%)	**9.1**	12.2	(3.1)	(25%)
Funds Flow from Continuing Operations	**3.3**	6.2	(2.9)	(47%)	**17.6**	21.7	(4.1)	(19%)

During the three months ended June 30, 2008 earnings decreased to $1,498,000 or $0.08 per Class A Non-Voting and Class B Common share ($0.08 diluted earnings per share) compared to $3,091,000 ($0.17 basic and $0.16 diluted earnings per share) for the corresponding period in 2007. Quarterly funds flow from continuing operations decreased to $3,335,000 for the three months ended June 30, 2008 compared to $6,179,000 for the corresponding period in 2007.

Net earnings decreased to $9,145,000 or $0.50 per Class A Non-Voting and Class B Common share ($0.50 diluted earnings per share) for the first six months of 2008 compared to $12,178,000 or $0.67 per share ($0.66 diluted earnings per share) in the corresponding period in 2007. Funds flow from continuing operations decreased to $17,609,000 in the first two quarters of 2008 compared to $21,717,000 in the corresponding period in 2007.

During the second quarter of 2008, the Company cancelled 229,000 stock options resulting in a one-time non cash increase of $1,000,000 in selling and administrative expense and a corresponding increase in contributed surplus. As required by Canadian Generally Accepted Accounting Principles (GAAP), this is an accelerated expense of $1,000,000 for the remaining unrecognized value of the cancelled stock options and is reflected in this quarter rather than over the remaining term of the options.

Current year results were primarily negatively affected by weaker market conditions. As well, wet weather was more prevalent in the second quarter of 2008 than in the corresponding period in 2007. Waiting for roads and land leases to dry sufficiently to enable the movement of heavy equipment resulted in significant downtime and contributed to the relatively weaker financial performance.

Fleet and Rig Utilization

AKITA had 40 drilling rigs, including nine that operated under joint ventures, (36.225 net to AKITA) at the end of the second quarter of 2008, compared to 42 rigs (37.075 net) in the corresponding period of 2007. During 2008, one rig was removed from service in the first quarter while a second rig was sold in the second quarter. In the six months of 2008, AKITA achieved 3,037 operating days, which corresponded to a utilization rate of 36.6% for the period. During the comparative period in 2007, the Company achieved 3,253 operating days, which corresponded to 44.4% utilization. In the second quarter of 2008, AKITA achieved 936 operating days, which corresponded to a utilization rate of 25.4% for the period. In the second quarter of 2007, the Company achieved 1,168 operating days, representing 31.3% utilization.

In June, 2008 the Company disposed of its joint venture fleet of three service rigs (1.5 net to AKITA).

At the end of the second quarter, the Company re-deployed one of its rigs from Alaska to Colorado. This marks the first time AKITA has entered into a market south of Canada.

Liquidity and Capital Resources

Capital expenditures totalled $4,082,000 in the first six months of 2008. Capital expenditures for the corresponding period in 2007 were $25,558,000 and included costs related to the construction of two heavy oil pad rigs.

At June 30, 2008, AKITA's balance sheet included working capital (current assets minus current liabilities) of $64,766,000 compared to working capital of $49,572,000 at June 30, 2007 and working capital of $49,123,000 at December 31, 2007. The seasonal nature of AKITA's business typically affects non-cash working capital balances from quarter to quarter. Accounts receivable, and to a lesser extent accounts payable balances, have the greatest impact on non-cash working capital balances.

During 2007, the Company guaranteed bank loans made to joint venture partners totalling $4.5 Million for a period of four years. The Company has provided an assignment of monies on deposit totalling $5 Million with respect to these loans, which have been classified as "restricted cash" on the balance sheet. The Company's security from its partners for these guarantees includes interests in specific rig assets.

The Company did not purchase any shares pursuant to its Normal Course Issuer Bid during the first six months of 2008. During the first six months of 2007, the Company repurchased 50,000 Class A Non-Voting shares at a cost of $840,000 pursuant to the Normal Course Issuer Bid outstanding during that period.

The Company typically maintains a conservative balance sheet due to the cyclical nature of the industry. Accordingly, the balance sheet generally includes significant cash balances to provide a potential safeguard in the event of a downturn. These cash balances also enhance the Company's ability to finance strategic growth opportunities, as they become available.

From time to time, the Company may finance certain activities with the use of long-term debt. During the past 10 year period, the Company borrowed $40 Million of long-term debt to help finance the construction of certain drilling rigs. The Company did not have any long-term debt during 2007 or 2008.

The Company's objectives when managing capital are:

- to sustain the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and
- to provide resources in order to enable growth.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, repurchase or issue new shares, sell assets or take on long-term debt. Since 1998, dividend rates have increased seven times with no decreases.

As well, during the 10 year period since 1998, AKITA repurchased 1,828,500 Class A Non-Voting shares through Normal Course Issuer bids, issued 430,000 Class A Non-Voting shares upon exercise of stock options and issued 666,700 Class A Non-Voting shares upon conversion of preferred shares.

Contractual obligations are substantially the same as described in AKITA's MD&A for the year ended December 31, 2007.

Summary of Quarterly Results

The following table shows key selected quarterly financial information for the Company:

$Thousands, except per share Three Months Ended	**Mar. 31**	**June 30**	Sept. 30	Dec. 31
2008				
Revenue	**48,126**	**20,278**		
Net earnings	**7,647**	**1,498**		
Basic earnings per share ($)	**0.42**	**0.08**		
Diluted earnings per share ($)	**0.42**	**0.08**		
Cash flow from operations	**(1,325)**	**19,815**		
2007				
Revenue	52,170	27,315	29,964	32,763
Net earnings	9,087	3,091	2,196	6,378
Basic earnings per share ($)	0.50	0.17	0.12	0.35
Diluted earnings per share ($)	0.50	0.16	0.12	0.35
Cash flow from operations	(11,120)	26,074	6,647	17,275
2006				
Revenue	61,195	32,929	38,856	41,563
Net earnings	11,002	7,548	6,850	8,355
Basic earnings per share ($)	0.59	0.41	0.37	0.46
Diluted earnings per share ($)	0.59	0.40	0.37	0.45
Cash flow from operations	3,878	27,825	4,798	24,651

Future Outlook

Although commodity prices for both crude oil and natural gas are strong enough to support robust drilling activity, to date, only a muted response is underway for most of AKITA's customers. Several have suggested that they anticipate significant future activity, but few are showing signs of significant increases in capital spending prior to the fourth quarter of this year. In addition, to date, no meaningful recovery in day rates has occurred, although management anticipates increases to day rates will occur once sufficient drilling market activity exists.

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRSs"). In February 2008, the AcSB confirmed a convergence date of January 1, 2011 for the adoption of IFRS. In May 2008, the Canadian Securities Administrators issued a Staff Notice indicating that domestic issuers may be permitted early adoption of IFRS. The Company is continuing to monitor and assess the impact and timing alternatives related to the convergence of Canadian GAAP and IFRS but recognizes that the change will be a significant undertaking that may materially affect the Company's reported financial position and results of operations.

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 the industry and risk management.

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 realized. 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 factors such as the level of exploration and development activity carried on by AKITA's customers; world crude 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 others should carefully consider the foregoing factors as well as other uncertainties and events prior to making a decision to invest in AKITA.

Non-GAAP Measure

Funds flow from operations is not a recognized measure under generally accepted accounting principles (GAAP). AKITA's method of determining funds flow from operations may differ from methods used by other companies and involves including operating cash flow before discontinued operations and working capital changes. Management and certain investors may find funds 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. The following table reconciles funds flow and cash flow from operations.

$Thousands	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	**2008**	2007
Funds flow from continuing operations	**3,335**	6,179	**17,609**	21,717
Cash provided by discontinued operations	**(160)**	(126)	**24**	(34)
Change in non-cash working capital	**16,640**	20,021	**857**	(6,729)
Cash flow from operations	**19,815**	26,074	**18,490**	14,954

Consolidated Balance Sheets

Unaudited		June 30		December 31
($000's)		**2008**	2007	2007
ASSETS				
Current assets				
Cash		**$ 59,698**	$ 35,629	$ 43,166
Accounts receivable		**18,107**	28,527	22,505
Other		**849**	1,101	272
		78,654	65,257	65,943
Restricted cash		**5,000**	-	5,000
Capital assets		**145,885**	151,508	152,579
		$ 229,539	$ 216,765	$ 223,522
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**$ 9,451**	$ 11,668	$ 13,051
Dividends payable		**1,279**	1,279	1,279
Income taxes payable		**1,877**	1,172	873
Deferred revenue		**1,281**	1,566	1,617
		13,888	15,685	16,820
Future income taxes		**16,166**	15,626	15,055
Pension liability		**3,740**	3,498	3,609
CLASS A AND CLASS B SHAREHOLDERS' EQUITY				
Class A and Class B shares	Note 2	**23,369**	23,376	23,369
Contributed surplus		**2,230**	962	1,110
Retained earnings		**170,146**	157,618	163,559
		195,745	181,956	188,038
		$ 229,539	$ 216,765	$ 223,522

Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings

Unaudited ($000's except per share amounts)		Three Months Ended June 30		Six Months Ended June 30	
		2008	2007	**2008**	2007
REVENUE		**$ 20,278**	$ 27,315	**$ 67,660**	$ 79,485
COSTS AND EXPENSES					
Operating and maintenance		**13,403**	15,912	**40,718**	45,570
Depreciation		**3,143**	2,561	**8,627**	7,474
Selling and administrative		**4,680**	3,884	**8,947**	8,451
		21,226	22,357	**58,292**	61,495
Revenue less costs and expenses		**(948)**	4,958	**9,368**	17,990
OTHER INCOME (EXPENSE)					
Interest income		**500**	375	**977**	784
Gain on sale of joint venture interests in rigs and other assets		**647**	31	**664**	134
Gain (loss) on foreign currency translation		**(25)**	(521)	**42**	(617)
		1,122	(115)	**1,683**	301
EARNINGS BEFORE INCOME TAXES		**174**	4,843	**11,051**	18,291
INCOME TAXES					
Current		**454**	1,335	**2,656**	4,355
Future		**(34)**	230	**1,111**	1,610
		420	1,565	**3,767**	5,965
EARNINGS (LOSS) FROM CONTINUING OPERATIONS		**(246)**	3,278	**7,284**	12,326
Gain on disposal from discontinued operations, net of tax	Note 7	**1,941**	-	**1,941**	-
Discontinued operations, net of tax	Note 7	**(197)**	(187)	**(80)**	(148)
NET EARNINGS AND COMPREHENSIVE INCOME		**1,498**	3,091	**9,145**	12,178
Retained earnings, beginning of period		**169,927**	155,994	**163,559**	148,781
Dividends declared		**(1,279)**	(1,285)	**(2,558)**	(2,565)
Adjustment on repurchase and cancellation of share capital		**-**	(182)	**-**	(776)
RETAINED EARNINGS, END OF PERIOD		**$170,146**	$157,618	**$170,146**	$157,618
Earnings (Loss) per Class A & Class B Share from continuing operations	Note 3				
Basic		**$ (0.01)**	$ 0.18	**$ 0.40**	$ 0.68
Diluted		**$ (0.01)**	$ 0.17	**$ 0.40**	$ 0.68
Earnings per Class A & Class B Share	Note 3				
Basic		**$ 0.08**	$ 0.17	**$ 0.50**	$ 0.67
Diluted		**$ 0.08**	$ 0.16	**$ 0.50**	$ 0.66

Consolidated Statements of Cash Flow

Unaudited ($000's)		Three Months Ended June 30 2008	 2007	Six Months Ended June 30 2008	 2007
OPERATING ACTIVITIES					
Earning (loss) from continuing operations		**$ (246)**	$ 3,278	**$ 7,284**	$ 12,326
Non-cash items included in earnings from continuing operations					
Depreciation		**3,143**	2,561	**8,627**	7,474
Future income taxes		**(34)**	230	**1,111**	1,610
Expense for defined benefit pension plan		**66**	66	**131**	131
Stock options charged to expense	Note 2	**1,053**	75	**1,120**	310
Gain on sale of joint venture interests in rigs and other assets		**(647)**	(31)	**(664)**	(134)
Funds flow from continuing operations		**3,335**	6,179	**17,609**	21,717
Cash provided from discontinued operations	Note 7	**(160)**	(126)	**24**	(34)
Change in non-cash working capital		**16,640**	20,021	**857**	(6,729)
		19,815	26,074	**18,490**	14,954
INVESTING ACTIVITIES					
Capital expenditures		**(3,528)**	(15,681)	**(4,082)**	(25,558)
Proceeds on sale of joint venture interests in rigs and other assets		**1,116**	32	**1,140**	171
Proceeds on sale of discontinued assets	Note 7	**3,510**	-	**3,510**	-
Change in non-cash working capital		**223**	(775)	**32**	(460)
		1,321	(16,424)	**600**	(25,847)
FINANCING ACTIVITIES					
Increase (decrease) in bank indebtedness		**-**	(2,850)	**-**	-
Dividends paid		**(1,279)**	(1,285)	**(2,558)**	(2,565)
Repurchase of share capital		**-**	(197)	**-**	(840)
Change in non-cash working capital		**-**	(26)	**-**	-
		(1,279)	(4,358)	**(2,558)**	(3,405)
INCREASE (DECREASE) IN CASH		**19,857**	5,292	**16,532**	(14,298)
Cash position, beginning of period		**39,841**	30,337	**43,166**	49,927
CASH POSITION, END OF PERIOD		**$59,698**	$ 35,629	**$59,698**	$ 35,629
Interest paid during the period		**$ 1**	$ 6	**$ 7**	$ 39
Income taxes paid during the period		**$ 503**	$ 1,583	**$ 2,488**	$ 9,056

Notes to Consolidated Financial Statements

Periods ended June 30, 2008 and June 30, 2007
(Unaudited)

1. Statement Presentation

The unaudited interim consolidated financial statements were prepared by the Company in accordance with Canadian generally accepted accounting principles and include the accounts of AKITA Drilling Ltd., its subsidiaries and a proportionate share of its joint ventures (consisting of drilling and well servicing rigs). The accounting policies and procedures used in assembling these interim statements are the same as those used in preparing the audited consolidated financial statements for the year ended December 31, 2007 except as described in Notes 4 and 5 below. The unaudited interim consolidated financial statements should be read along with the audited annual financial statements and notes to the statements in the Company's 2007 Annual Report. Due to the seasonality of the industry, the operating and financial results for the interim period covered do not necessarily reflect overall results which may be achieved in the fiscal year.

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:

(Number of shares)	**June 30, 2008**	June 30, 2007	December 31, 2007
Class A Non-Voting	**16,612,958**	16,618,258	16,612,958
Class B Common	**1,654,284**	1,654,284	1,654,284
	18,267,242	18,272,542	18,267,242

On June 2, 2008, the Company cancelled 229,000 stock options having exercise prices of $22.25 to $22.48 per option. This resulted in a one-time non cash increase of $1,000,000 in selling and administrative expense and a corresponding increase in contributed surplus. As required by Canadian Generally Accepted Accounting Principles (GAAP), this is an accelerated expense of $1,000,000 for the remaining unrecognized value of the cancelled stock options and is reflected in this quarter rather than over the remaining term of the options.

As at June 30, 2008, a cumulative total of 182,000 stock options were outstanding to directors and officers of the Company at exercise prices varying from $3.695 to $13.490, with expiry dates up to 2014. Of these stock options, 165,500 are exercisable for an average exercise price of $8.17.

3. Earnings per Share

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	**2008**	2007
Net earnings (Dollars in thousands)	**$ 1,498**	$ 3,091	**$ 9,145**	$ 12,178
Weighted average outstanding shares - basic	**18,267,242**	18,273,218	**18,267,242**	18,283,591
Incremental shares for diluted earnings per share calculation	**48,627**	91,141	**65,066**	92,535
Basic earnings (loss) per share from continuing operations ($)	**$ (0.01)**	$ 0.18	**$ 0.40**	$ 0.68
Diluted earnings per share from continuing operations ($)	**$ (0.01)**	$ 0.17	**$ 0.40**	$ 0.68
Basic earnings per share ($)	**$ 0.08**	$ 0.17	**$ 0.50**	$ 0.67
Diluted earnings per share ($)	**$ 0.08**	$ 0.16	**$ 0.50**	$ 0.66

4. Capital Disclosures

The Company has determined capital to include long-term debt ($Nil at December 31, 2007 and June 30, 2008) and share capital. The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to augment existing resources in order to meet growth requirements.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, repurchase or issue new shares or sell assets.

5. Financial Instruments

The Company's financial assets and liabilities include cash and cash equivalents, restricted cash, accounts receivable and accounts payable. During the year, the Company did not hold or issue any derivative financial instruments. Fair values approximate carrying values unless otherwise stated. The Company has adopted the following classification for financial assets and liabilities:

- Cash equivalents and restricted cash are classified as "Held to Maturity"
- Accounts receivable are classified as "Loans and Receivables"
- Accounts payable and accrued liabilities are classified as "Other Financial Liabilities".

Financial Instrument Risk Exposure and Management

The Company is exposed to various risks associated with its financial instruments. These risks are categorized as credit risk, foreign currency risk and potentially liquidity risk. In addition, the Company is indirectly exposed to interest rate risk since the Company is typically non-borrowing and is generally directly exposed to fluctuations in interest rates through its investment in bank guaranteed highly liquid investments. The Company is also indirectly exposed to commodity risk relating to commodity prices due to the industry in which it works.

Credit Risk

The credit risk associated with accounts receivable is generally considered to be low since substantially all counterparties are well established and financed oil and gas companies. Provisions have been estimated by management and included in the accounts to recognize potential bad debts.

The table of accounts receivable below shows no significant credit risk exposure in the balances outstanding at:

($Thousands)	**June 30, 2008**	June 30, 2007	December 31, 2007
Within 30 days	**$ 15,654**	$ 20,115	$ 18,546
31 to 60 days	**1,142**	4,545	3,774
61 to 90 days	**915**	1,758	158
Over 90 days	**461**	2,169	183
Allowance for doubtful accounts	**(65)**	(60)	(156)
Accounts receivable	**$ 18,107**	$ 28,527	$ 22,505

Foreign Currency Risk

The Company is exposed to changes in foreign exchange rates as revenues, capital expenditures or financial instruments may fluctuate due to changing rates. At June 30, 2008 and December 31, 2007, AKITA's exposure was limited substantially to its operations in Alaska, which constituted less than 10% of its total business.

Liquidity Risk

The Company is exposed to liquidity risk through its working capital balance. At June 30, 2008 and December 31, 2007, this risk was limited due to having cash balances significantly in excess of total current liabilities.

As of January 1, 2008, the Company adopted CICA Handbook Section 1400 "Going Concern" which requires management to make an assessment of an entity's ability to continue as a going concern. The Company has evaluated the impact of this new standard on its consolidated financial statements and determined that no additional disclosures are required at this time.

6. Segmented Information

The Company operates in one business segment that includes providing oil and gas well drilling and well servicing for its customers. Results for the past two years, as stated in Canadian dollars, are as follows:

($Thousands)	Domestic		Alaska		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
Three Months Ended June 30						
Revenue	**$ 18,625**	$ 25,047	**$ 1,653**	$ 2,268	**$ 20,278**	$ 27,315
Net earnings	**$ 847**	$ 2,545	**$ 651**	$ 546	**$ 1,498**	$ 3,091
Six Months Ended June 30						
Revenue	**$ 62,044**	$ 71,552	**$ 5,616**	$ 7,933	**$ 67,660**	$ 79,485
Net earnings	**$ 7,262**	$ 10,269	**$ 1,883**	$ 1,909	**$ 9,145**	$ 12,178

7. Discontinued Operations

In May, 2008, the Company sold one drilling rig (0.55 net to AKITA), which represented substantially all of the assets for the Akita Sahcho and Akita Kaska joint ventures. In June, 2008, the Company sold its well servicing business which included three well servicing rigs (1.5 net to AKITA), which represented substantially all of the assets for Western Oilfield Servicing. Proceeds from these sales totalled $8,150,000 ($4,375,000 net to AKITA) and resulted in an after tax gain of $1,941,000 to the Company.

Comparative 2007 results of the operations related to these businesses have been retroactively reclassified as discontinued operations:

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	**2008**	2007
Revenue	**$ 51**	$ 30	**$ 795**	$ 733
Costs and expenses				
Operating and maintenance	**127**	94	**554**	592
Depreciation	**37**	61	**104**	114
Selling and administrative	**170**	127	**247**	226
Loss from discontinued operations before income taxes	**(283)**	(252)	**(110)**	(199)
Provisions for income taxes	**(86)**	(65)	**(30)**	(51)
Loss from discontinued operations	**$ (197)**	$ (187)	**$ (80)**	$ (148)

The following table provides a reconciliation of the cash flow impacts from discontinued operations:

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	**2008**	2007
Loss from discontinued operations	**$ (197)**	$ (187)	**$ (80)**	$ (148)
Non-cash item included in earnings from discontinued operations				
Depreciation	**37**	61	**104**	114
Funds flow from discontinued operations	**$ (160)**	$ (126)	**$ 24**	$ (34)
Proceeds on sale of discontinued assets before income taxes	**$ 4,375**	-	**$ 4,375**	-
Provision for income taxes	**(865)**	-	**(865)**	-
Proceeds on sale of discontinued assets	**$ 3,510**	-	**$ 3,510**	-

Corporate Information

Directors

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

Loraine M. Charlton
Corporate Director
Calgary, Alberta

Arthur C. Eastly
Corporate Director
Calgary, Alberta

Linda A. Heathcott
President, Spruce Meadows,
President, Team Spruce Meadows Inc.
Chairman of the Board
of the Company
Calgary, Alberta

John B. Hlavka
Chief Executive Officer
of the Company
Calgary, Alberta

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

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

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

C. Perry Spitznagel
Vice Chairman and Managing Partner
(Calgary), Bennett Jones LLP
Calgary, Alberta

Charles W. Wilson
Corporate Director
Evergreen, Colorado

Officers

John B. Hlavka
Chief Executive Officer

Fred O. Hensel
Vice President,
Marketing for the South

Lou C. Klaver, P.Eng.
Vice President, Engineering

Craig W. Kushner
Corporate Secretary and
Human Resources Administrator

John M. Pahl
Vice President,
Marketing for the North

Murray J. Roth
Vice President, Finance and Chief
Financial Officer

Karl A. Ruud
President and Chief Operating Officer

Head Office

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Banker

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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.A)
Class B Common (AKT.B)

Website

www.akita-drilling.com