Interim report for 6 months ended June 30, 2009

To the Shareowners

AKITA Drilling Ltd.'s net earnings for the three months ended June 30, 2009 were $555,000 ($0.03 per share) on revenue of $17,881,000 compared to $1,498,000 ($0.08 per share) on revenue of $20,278,000 in the corresponding quarter in 2008. Funds flow from continuing operations for the quarter ended June 30, 2009 was $2,750,000 compared to $3,335,000 in the corresponding quarter in 2008.

Earnings for the six months ended June 30, 2009 were $4,463,000 ($0.24 per share) on revenue of $59,577,000. Comparative figures for 2008 were earnings of $9,145,000 ($0.50 per share) on revenue of $67,660,000. Funds flow from continuing operations for the period was $14,801,000 compared to $17,609,000 in 2008.

Market conditions have continued to be the weakest in the history of the Company. Operating statistics for the first six months of 2009 and 2008 are as follows:

		Number of Rigs		Number of Wells Drilled	Operating Days
		Gross	Net		
Canada	**2009**	**39**	**36.225**	**185**	**2,067**
	2008	38	35.225	401	2,977
United States	**2009**	**2**	**1.0**	**6**	**210**
	2008	2	1.0	1	60
Total	**2009**	**41**	**37.225**	**191**	**2,277**
	2008	40	36.225	402	3,037

During the second quarter, the Company redeployed one rig from Colorado to Canada as a result of an early contract termination. The remaining two rigs in the United States are both located in Alaska.

On May 15, 2009, AKITA announced the retirement of Mr. John Hlavka as Chief Executive Officer of the Company effective June 30, 2009. Mr. Hlavka, a veteran of the Canadian drilling industry for over six decades, has had a distinguished career with AKITA since the formation of the Company. Mr. Hlavka will continue to serve on the Board of Directors.

The Board of Directors has appointed Mr. Karl Ruud as President and Chief Executive Officer of the Company. Mr. Ruud most recently served the Company in the role of President and Chief Operating Officer. Mr. Ruud has extensive drilling experience in Canada and internationally, and has been with AKITA since the formation of the Company. Mr. Ruud has a broad range of experience in all aspects of AKITA's business.

It appears that weak market conditions will persist for the balance of this year and potentially beyond. The Company is well positioned financially, and has a significant asset base that includes a broad range of drilling equipment, including eight pad rigs which are involved in some of the most active development regions of the current market. Further, AKITA has a significant base of well-trained personnel to meet our customers' requirements, both in the existing market and when drilling conditions improve. We are pleased to remind our shareowners that since the Company began operations in 1993, it has been able to generate positive earnings and funds flow from operations in every quarter.

On behalf of the Board of Directors,

Linda A. Heathcott
Chairman of the Board

Karl Ruud
President and 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, 2009 and the audited financial statements and MD&A for the year ended December 31, 2008. References made to 2008 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 July 28, 2009 and incorporates all relevant considerations to that date.

Management has prepared this MD&A as well as the accompanying interim consolidated financial statements and notes to the interim consolidated financial statements.

Cyclical and Seasonal Nature of AKITA's Operations

Activity levels for the drilling sector of the oil and gas industry, including AKITA, are directly affected by customer 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, safety performance, equipment quality and drilling performance. Western Canadian annual drilling utilization, which, in 2008, was close to its 10 year cyclical low, is summarized in the following table:

Utilization expressed in percentages	AKITA	Industry (1)
2008	**42.2**	41.7
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
10 year annual average	**52.0**	48.6

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

If the current declining trend in rig utilization continues, utilization for the industry, including AKITA, will fall significantly below any year in the past decade. To date, there has been no evidence that this trend will be reversed in the near future.

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

In addition to the cyclical nature of AKITA's business, readers should also 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.

The following table summarizes second quarter and year-to-date utilization for AKITA and the Western Canadian drilling industry for 2008 and 2009:

Utilization rates expressed in percentages	Three Months Ended June 30		Six Months Ended June 30	
	AKITA	Industry (1)	**AKITA**	Industry (1)
2009	**16.2**	10.7	**30.7**	23.8
2008	**25.4**	19.6	**36.6**	37.9

(1) Source: CAODC

Revenue and Operating & Maintenance Expenses

$ Million	Three Months Ended June 30				Six Months Ended June 30			
	2009	2008	Change	% Change	**2009**	2008	Change	% Change
Revenue	**17.9**	20.3	(2.4)	(12%)	**59.6**	67.7	(8.1)	(12%)
Operating & Maintenance Expenses	**10.9**	13.4	(2.5)	(19%)	**36.1**	40.7	(4.6)	(11%)

Overall revenue decreased to $59,577,000 during the first six months of 2009 from $67,660,000 during the first six months of 2008 as a result of weaker activity in the oilfield drilling services industry, particularly in Western and Northern Canada. Revenue per operating day increased to $26,165 during the first six months of 2009 from $22,279 per operating day in the corresponding period in 2008 since a significant portion of the current year's drilling was focussed on more complex types of drilling that required the use of specialized rigs. In addition, standby revenue from rigs under contract that were not actively drilling had a correspondingly greater impact on a "per day" basis due to decreased overall activity levels. Offsetting these factors, the Company received lower day rates for those rigs providing conventional types of drilling services. Operating and maintenance costs are also tied to activity levels and amounted to $36,099,000 or $15,854 per operating day during the first six months of 2009 compared to $40,718,000 or $13,590 per operating day in the corresponding period of the prior year. As a result of the higher proportion of work being for specialized applications during the first six months of 2009, the Company's "per-day" operating margin (being the difference between revenue per day and operating and maintenance costs per day) increased in the first six months of the current year compared to the operating margin for the corresponding period in 2008.

During the second quarter of 2009, overall revenue decreased to $17,881,000 compared to $20,278,000 during the corresponding period in 2008. On a "per operating day" basis, second quarter revenue increased to $29,604 in 2009 compared to $21,665 per day in 2008 as a result of the same factors that impacted the year-to-date results. Operating and maintenance costs for the second quarter amounted to $10,949,000 or $18,127 per operating day during 2009, compared to $13,403,000 or $14,319 per operating day for 2008.

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 $2,830,000 at June 30, 2009 as deferred revenue in accordance with its revenue recognition policy (June 30, 2008 - $1,281,000).

Depreciation Expense

$ Million	Three Months Ended June 30				Six Months Ended June 30			
	2009	2008	Change	% Change	**2009**	2008	Change	% Change
Depreciation Expense	**2.7**	3.1	(0.4)	(13%)	**9.2**	8.6	0.6	7%

The depreciation expense increase to $9,247,000 during the first six months of 2009 from $8,627,000 in the corresponding period in 2008 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 on a year-to-date basis and more than offset during the second quarter. AKITA's rigs are depreciated on a unit of production basis. Drilling rig depreciation accounted for 76% of total depreciation expense in the first six months of 2009 (2008- 72%).

Selling and Administrative Expense

$ Million	Three Months Ended June 30				Six Months Ended June 30			
	2009	2008	Change	% Change	**2009**	2008	Change	% Change
Selling & Administrative Expense	**3.7**	4.7	(1.0)	(21%)	**8.1**	8.9	(0.8)	(9%)

Selling and administrative expenses were 13.5% of total revenue in the first six months of 2009 compared to 13.2% of total revenue in the corresponding six month period of 2008, largely as a result of decreased revenue in 2009. During 2008, the Company recorded a one-time non cash increase in selling and administrative expense and a corresponding increase in contributed surplus as a result of cancellation of stock options. No similar event occurred in the current year. The single largest component was salaries and benefits, which accounted for 57% of these expenses (60% in 2008).

Other Income (Expenses)

$ Million	Three Months Ended June 30				Six Months Ended June 30			
	2009	2008	Change	% Change	**2009**	2008	Change	% Change
Interest Income	**0.1**	0.5	(0.4)	(80%)	**0.3**	1.0	(0.7)	(70%)
Gain on Sale of Joint Venture Interests and Other Assets	**0.1**	0.6	(0.5)	(83%)	**0.1**	0.7	(0.6)	(86%)
Gain (Loss) on Foreign Currency Translation	**(0.1)**	(0.0)	(0.1)	N/A	**(0.1)**	0.0	(0.1)	N/A

The Company invests any cash balances in excess of its ongoing operating requirements in bank guaranteed highly liquid investments. Interest income for the first six months of 2009 decreased to $288,000 from $977,000 for the corresponding period in 2008 as a result of a significant reduction in short-term interest rates. The gain on sale of joint venture interests in rigs and other assets totalled $79,000 in 2009, compared to $664,000 in the first six months of 2008. In the first six months of 2009, the Company recorded a loss from foreign currency translation of $95,000 from its United States operations, compared to a gain from foreign currency translation of $42,000 in the first six months of 2008. An additional negative foreign currency adjustment of $252,000 was recorded through other comprehensive income in accordance with the Company's accounting policy. No adjustments were made to other comprehensive income in the comparative period.

Income Tax Expense

$ Million	Three Months Ended June 30				Six Months Ended June 30			
	2009	2008	Change	% Change	**2009**	2008	Change	% Change
Current Tax Expense	**0.3**	0.5	(0.2)	(40%)	**0.7**	2.7	(2.0)	(74%)
Future Tax Expense	**(0.2)**	(0.0)	(0.2)	N/A	**1.3**	1.1	0.2	18%

Income tax expense decreased to $1,983,000 in the first six months of 2009 from $3,767,000 in the corresponding period in 2008, due to lower pre-tax earnings, as well as a reduced income tax rate for general income items.

Discontinued Operations

$ Million	Three Months Ended June 30				Six Months Ended June 30			
	2009	2008	Change	% Change	**2009**	2008	Change	% Change
Gains on Disposals	**0.0**	1.9	(1.9)	N/A	**0.0**	1.9	(1.9)	N/A
Discontinued Operations	**0.0**	(0.2)	0.2	N/A	**0.0**	(0.1)	0.1	N/A

The Company had no discontinued operations in 2009. In May 2008, the Company sold one drilling rig (0.55 net to AKITA), which represented substantially all of the assets of 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), representing 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 2008.

In both of the above noted disposals, the assets sold were considered "non-core" and "underperforming".

Net Earnings and Funds Flow

$ Million	Three Months Ended June 30				Six Months Ended June 30			
	2009	2008	Change	% Change	**2009**	2008	Change	% Change
Net Earnings	**0.6**	1.5	(0.9)	(60%)	**4.5**	9.1	(4.6)	(51%)
Funds Flow From Continuing Operations	**2.8**	3.3	(0.5)	(15%)	**14.8**	17.6	(2.8)	(16%)

During the three months ended June 30, 2009, earnings decreased to $555,000 or $0.03 per Class A Non-Voting and Class B Common share ($0.03 diluted earnings per share) compared to $1,498,000 ($0.08 basic and diluted earnings per share) for the corresponding period in 2008. Quarterly funds flow from continuing operations decreased to $2,750,000 for the three months ended June 30, 2009 compared to $3,335,000 for the corresponding period in 2008.

Net earnings decreased to $4,463,000 or $0.24 per Class A Non-Voting and Class B Common share ($0.24 diluted earnings per share) for the first six months of 2009 compared to $9,145,000 ($0.50 basic and diluted earnings per share) for the corresponding period in 2008. Funds flow from continuing operations decreased to $14,801,000 in the first six months of 2009 compared to $17,609,000 in the corresponding period in 2008.

Current year results were negatively affected primarily by weaker market conditions. This weakness was most pronounced for conventional drilling, particularly as it related to the use of shallow and medium depth capacity rigs.

Fleet and Rig Utilization

AKITA had 41 drilling rigs, including nine that operated under joint ventures, (37.225 net to AKITA) at the end of the second quarter of 2009, compared to 40 rigs (36.225 net) in the corresponding period of 2008. In the first six months of 2009, AKITA achieved 2,277 operating days, which corresponded to a utilization rate of 30.7% for the period. During the comparative period in 2008, the Company achieved 3,037 operating days, which corresponded to 36.6% utilization. In the second quarter of 2009, AKITA achieved 604 operating days, which corresponded to a utilization rate of 16.2% for the period. In the second quarter of 2008, the Company achieved 936 operating days, representing 25.4% utilization.

During the second quarter, the Company redeployed one rig from Colorado to Canada as a result of an early contract termination. The remaining two rigs in the United States are both located in Alaska.

Liquidity and Capital Resources

Capital expenditures totalled $8,346,000 in the first six months of 2009 and included costs related to the conversion of two conventional rigs to enable them to more efficiently drill pad applications. The Company has recognized an opportunity to capitalize on an expanding market for heavy oil and shale gas by building new drilling rigs or upgrading existing rigs into pad rigs. By doing this, AKITA was able to place both of these rigs on multi-year contracts. Capital expenditures for the corresponding period in 2008 were $4,082,000.

At June 30, 2009, AKITA's balance sheet included working capital (current assets minus current liabilities) of $66,709,000 compared to working capital of $64,766,000 at June 30, 2008 and working capital of $63,089,000 at December 31, 2008. 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 for 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 2009 or 2008.

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 2008 or 2009.

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 its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its 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 1999, dividend rates have increased six times with no decreases.

As well, during the 10 year period since 1999, AKITA repurchased 1,873,125 Class A Non-Voting shares through Normal Course Issuer Bids, issued 440,000 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, 2008.

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
2009				
Revenue	**41,696**	**17,881**		
Net earnings	**3,908**	**555**		
Basic earnings per share ($)	**0.21**	**0.03**		
Diluted earnings per share ($)	**0.21**	**0.03**		
Cash flow from operations	**11,258**	**12,519**		
2008				
Revenue	47,382	20,278	33,747	35,095
Net earnings	7,647	1,498	3,681	2,021
Basic earnings per share ($)	0.42	0.08	0.20	0.11
Diluted earnings per share ($)	0.42	0.08	0.20	0.11
Cash flow from operations	(1,325)	19,815	(6,342)	22,001
2007				
Revenue	52,170	27,315	29,804	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

Chief Executive Officer Change

On May 15, 2009, AKITA announced the retirement of Mr. John Hlavka as Chief Executive Officer of the Company effective June 30, 2009. Mr. Hlavka, a veteran of the Canadian drilling industry for over six decades, has had a distinguished career with AKITA since the formation of the Company. Mr. Hlavka will continue to serve on the Board of Directors.

The Board of Directors has appointed Mr. Karl Ruud as President and Chief Executive Officer of the Company. Mr. Ruud most recently served the Company in the role of President and Chief Operating Officer. Mr. Ruud has extensive drilling experience in Canada and internationally, and has been with AKITA since the formation of the Company. Mr. Ruud has a broad range of experience in all aspects of AKITA's business.

Future Outlook

Although prices for crude oil have staged a partial recovery throughout much of 2009, North American natural gas prices and the rate of improvement in the North American economy continue to provide negative influences on AKITA's near-term performance. The Company continues to focus on its cost saving measures.

Longer term, the Company remains very well positioned to capitalize on any improvements in the market, with its broad range of quality equipment including shallow, medium, deep and pad rigs, strategically located in diverse North American markets. The Company continues to maintain its strong employee base.

Changeover Plan for IFRS

A detailed changeover plan related to the implementation of International Financial Reporting Standards ("IFRS") in 2011 as a replacement for the existing Canadian Generally Accepted Accounting Principles (Canadian "GAAP") was presented in the Company's 2008 annual report. Timetables laid out in the annual report are still effective and no deviation from that plan exists at this time. The next anticipated milestone relates to ensuring information technology infrastructure is fully compliant for IFRS processes. The Company's target completion date of Q3, 2009 remains achievable.

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 Canadian 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	
	2009	2008	**2009**	2008
Funds flow from continuing operations	**2,750**	3,335	**14,801**	17,609
Cash provided by discontinued operations	**—**	(160)	**—**	24
Change in non-cash working capital	**9,769**	16,640	**8,976**	857
Cash flow from operations	**12,519**	19,815	**23,777**	18,490

Management's Responsibility for Financial Information

AKITA's CEO and CFO have signed certifications relating to the appropriateness of the financial disclosures in the interim MD&A and the interim consolidated financial statements for the period ended June 30, 2009 and relating to the design of the Company's disclosure controls and procedures and internal control over financial reporting.

AKITA's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of AKITA, provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with Canadian GAAP, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of AKITA's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As in prior quarters, AKITA's Audit Committee reviewed this document, including the attached unaudited consolidated financial statements.

Consolidated Balance Sheets

Unaudited		June 30		December 31
($ Thousands)		**2009**	2008	2008
ASSETS				
Current assets				
Cash		**$ 55,032**	$ 59,698	$ 42,168
Accounts receivable		**20,828**	18,107	41,534
Income taxes recoverable		**1,008**	—	—
Other		**1,962**	849	1,123
		78,830	78,654	84,825
Restricted cash		**5,000**	5,000	5,000
Capital assets		**152,032**	145,885	153,044
		$ 235,862	$ 229,539	$ 242,869
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**$ 7,747**	$ 9,451	$ 20,061
Dividends payable		**1,276**	1,279	1,276
Income taxes payable		**—**	1,877	399
Deferred revenue		**2,830**	1,281	—
Current portion of pension liability		**268**	—	—
		12,121	13,888	21,736
Future income taxes		**19,952**	16,166	18,818
Pension liability		**3,622**	3,740	3,854
CLASS A AND CLASS B SHAREHOLDERS' EQUITY				
Class A and Class B shares	Note 2	**23,359**	23,369	23,312
Contributed surplus		**2,271**	2,230	2,271
Accumulated other comprehensive income	Note 6	**(252)**	—	—
Retained earnings		**174,789**	170,146	172,878
		200,167	195,745	198,461
		$ 235,862	$ 229,539	$ 242,869

Consolidated Statements of Earnings and Retained Earnings

Unaudited ($ Thousands except per share amounts)		Three Months Ended June 30		Six Months Ended June 30	
		2009	2008	**2009**	2008
REVENUE		**$ 17,881**	$ 20,278	**$ 59,577**	$ 67,660
COSTS AND EXPENSES					
Operating and maintenance		**10,949**	13,403	**36,099**	40,718
Depreciation		**2,667**	3,143	**9,247**	8,627
Selling and administrative		**3,661**	4,680	**8,057**	8,947
		17,277	21,226	**53,403**	58,292
Revenue less costs and expenses		**604**	(948)	**6,174**	9,368
OTHER INCOME (EXPENSE)					
Interest income		**73**	500	**288**	977
Gain on sale of joint venture interests in rigs and other assets		**58**	647	**79**	664
Gain (loss) on foreign currency translation		**(97)**	(25)	**(95)**	42
		34	1,122	**272**	1,683
EARNINGS BEFORE INCOME TAXES		**638**	174	**6,446**	11,051
INCOME TAXES					
Current		**332**	454	**666**	2,656
Future		**(249)**	(34)	**1,317**	1,111
		83	420	**1,983**	3,767
EARNINGS FROM CONTINUING OPERATIONS		**555**	(246)	**4,463**	7,284
Gain on disposal from discontinued operations, net of tax	Note 10	**—**	1,941	**—**	1,941
Discontinued operations, net of tax	Note 10	**—**	(197)	**—**	(80)
NET EARNINGS		**555**	1,498	**4,463**	9,145
Retained earnings, beginning of period		**175,510**	169,927	**172,878**	163,559
Dividends declared		**(1,276)**	(1,279)	**(2,552)**	(2,558)
RETAINED EARNINGS, END OF PERIOD		**$174,789**	$170,146	**$174,789**	$170,146
Earnings (Loss) per Class A and Class B share from continuing operations	Note 3				
Basic		**$ 0.03**	$ (0.01)	**$ 0.24**	$ 0.40
Diluted		**$ 0.03**	$ (0.01)	**$ 0.24**	$ 0.40
Earnings per Class A and Class B share	Note 3				
Basic		**$ 0.03**	$ 0.08	**$ 0.24**	$ 0.50
Diluted		**$ 0.03**	$ 0.08	**$ 0.24**	$ 0.50

Consolidated Statements of Cash Flow

Unaudited ($ Thousands)		Three Months Ended June 30 2009	Three Months Ended June 30 2008	Six Months Ended June 30 2009	Six Months Ended June 30 2008
OPERATING ACTIVITIES					
Earnings from continuing operations		**$ 555**	$ (246)	**$ 4,463**	$ 7,284
Non-cash items included in earnings from continuing operations					
Depreciation		**2,667**	3,143	**9,247**	8,627
Future income taxes		**(432)**	(34)	**1,134**	1,111
Expense for defined benefit pension plan		**18**	66	**36**	131
Stock options charged to expense		**—**	1,053	**—**	1,120
Gain on sale of joint venture interests in rigs and other assets		**(58)**	(647)	**(79)**	(664)
Funds flow from continuing operations		**2,750**	3,335	**14,801**	17,609
Cash provided from discontinued operations	Note 10	**—**	(160)	**—**	24
Change in non-cash working capital		**9,769**	16,640	**8,976**	857
		12,519	19,815	**23,777**	18,490
INVESTING ACTIVITIES					
Capital expenditures		**(988)**	(3,528)	**(8,346)**	(4,082)
Proceeds on sale of joint venture interests in rigs and other assets		**141**	1,116	**190**	1,140
Proceeds on sale of discontinued assets	Note 10	**—**	3,510	**—**	3,510
Change in non-cash working capital		**(1,359)**	223	**—**	32
		(2,206)	1,321	**(8,156)**	600
FINANCING ACTIVITIES					
Dividends paid		**(1,276)**	(1,279)	**(2,552)**	(2,558)
Proceeds received on exercise of stock options		**32**	—	**47**	—
		(1,244)	(1,279)	**(2,505)**	(2,558)
FOREIGN CURRENCY TRANSLATION		**(384)**	—	**(252)**	—
INCREASE IN CASH		**8,685**	19,857	**12,864**	16,532
Cash position, beginning of period		**46,347**	39,841	**42,168**	43,166
CASH POSITION, END OF PERIOD		**$ 55,032**	$ 59,698	**$ 55,032**	$ 59,698
Income taxes paid during the period		**$ 1,310**	$ 503	**$ 2,071**	$ 2,488

Consolidated Statements of Comprehensive Income

Unaudited ($ Thousands)		Three Months Ended June 30		Six Months Ended June 30	
		2009	2008	**2009**	2008
NET EARNINGS		**$ 555**	$ 1,498	**$ 4,463**	$ 9,145
OTHER COMPREHENSIVE INCOME					
Foreign currency translation adjustment	Note 6	**(384)**	—	**(252)**	—
COMPREHENSIVE INCOME		**$ 171**	$ 1,498	**$ 4,211**	$ 9,145

Notes to Consolidated Financial Statements

Periods ended June 30, 2009 and June 30, 2008
(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, 2008 except as described in Note 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 2008 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, 2009**	June 30, 2008	December 31, 2008
Class A Non-Voting	**16,578,333**	16,612,958	16,568,333
Class B Common	**1,654,284**	1,654,284	1,654,284
	18,232,617	18,267,242	18,222,617

As at June 30, 2009, a cumulative total of 160,000 stock options had been granted to directors and officers of the Company at exercise prices varying from $4.295 to $9.94, with expiry dates up to 2013. Of these stock options, 149,000 are exercisable for an average exercise price of $6.95.

3. Earnings per Share

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	**2009**	2008
Net earnings ($ Thousands)	**$ 555**	$ 1,498	**$ 4,463**	$ 9,145
Weighted average outstanding shares - basic	**18,230,441**	18,267,242	**18,228,076**	18,267,242
Incremental shares for diluted earnings per share calculation	**16,637**	48,627	**13,613**	65,066
Basic earnings (loss) per share from continuing operations ($)	**$ 0.03**	$ (0.01)	**$ 0.24**	$ 0.40
Diluted earnings per share from continuing operations ($)	**$ 0.03**	$ (0.01)	**$ 0.24**	$ 0.40
Basic earnings per share ($)	**$ 0.03**	$ 0.08	**$ 0.24**	$ 0.50
Diluted earnings per share ($)	**$ 0.03**	$ 0.08	**$ 0.24**	$ 0.50

4. Capital Disclosures

The Company has determined capital to include long-term debt ($Nil at December 31, 2008 and June 30, 2009) 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 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.

5. Foreign Currency Translation

Monetary assets and liabilities of integrated foreign entities denominated in foreign currencies are translated at exchange rates prevailing at the balance sheet date and non-monetary assets and liabilities are translated at historical exchange rates. Foreign currency income and expenses of integrated foreign entities are translated at average exchange rates prevailing throughout the year. Unrealized translation gains and losses and all realized gains and losses of integrated foreign entities are included in Other Income.

Assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date and revenues and expenses are translated at the average monthly rates of exchange during the year. Gains or losses on translation of self-sustaining foreign operations are included in accumulated other comprehensive income in shareholders' equity.

The increased exposure to US dollar denominated contracts for certain joint venture operations located in the US resulted in reclassifying those joint ventures from integrated to self-sustaining foreign operations as at January 1, 2009. The change in classification has been accounted for prospectively.

6. Other Comprehensive Income

Other comprehensive income of the Company is comprised of the foreign currency translation adjustment relating to self-sustaining foreign operations. Changes in accumulated other comprehensive income are summarized below:

($ Thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	**2009**	2008
Accumulated comprehensive income, beginning of period	**$ 132**	$ —	**$ —**	$ —
Other comprehensive income for the period	**(384)**	—	**(252)**	—
Accumulated comprehensive income, end of period	**$ (252)**	$ —	**$ (252)**	$ —

7. 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 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, 2009**	June 30, 2008	December 31, 2008
Within 30 days	**$ 15,630**	$ 15,654	$ 31,700
31 to 60 days	**2,323**	1,142	5,316
61 to 90 days	**1,981**	915	3,241
Over 90 days	**1,055**	461	1,348
Allowance for doubtful accounts	**(161)**	(65)	(71)
Accounts receivable	**$ 20,828**	$ 18,107	$ 41,534

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. AKITA's exposure was limited substantially to its operations in Alaska and Colorado, which constituted 16% of its business for the six month period ended June 30, 2009 (year ended December 31, 2008 – 8%).

Liquidity Risk

The Company is exposed to liquidity risk through its working capital balance. At June 30, 2009 and December 31, 2008, exposure was limited due to having cash balances significantly in excess of total current liabilities.

8. Segmented Information

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

($ Thousands)	Canada		United States		Total	
	2009	2008	**2009**	2008	**2009**	2008
Three Months Ended June 30						
Revenue	**$ 14,132**	$ 18,625	**$ 3,749**	$ 1,653	**$ 17,881**	$ 20,278
Net earnings	**$ (154)**	$ 847	**$ 709**	$ 651	**$ 555**	$ 1,498
Six Months Ended June 30						
Revenue	**$ 50,335**	$ 62,044	**$ 9,242**	$ 5,616	**$ 59,577**	$ 67,660
Net earnings	**$ 2,454**	$ 7,262	**$ 2,009**	$ 1,883	**$ 4,463**	$ 9,145

9. Goodwill and Intangible Assets

On January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants' Handbook Section 3064 "Goodwill and Intangible Assets". The new standard replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard has had no material impact on the Company's consolidated financial statements.

10. 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.

($ Thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	**2009**	2008
Revenue	**$ —**	$ 51	**$ —**	$ 795
Costs and Expenses				
Operating and maintenance	**—**	127	**—**	554
Depreciation	**—**	37	**—**	104
Selling and administrative	**—**	170	**—**	247
Loss from discontinued operations before income taxes	**—**	(283)	**—**	(110)
Provision for income taxes	**—**	(86)	**—**	(30)
Loss from discontinued operations	**$ —**	$ (197)	**$ —**	$ (80)

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

($ Thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	**2009**	2008
Loss from discontinued operations	**$ —**	$ (197)	**$ —**	$ (80)
Non-cash item included in earnings from discontinued operations				
Depreciation	**—**	37	**—**	104
Funds flow from discontinued operations	**$ —**	$ (160)	**$ —**	$ 24
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

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
Corporate Director
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., B.Sc., 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

Fred O. Hensel
Vice President, Marketing

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

Craig W. Kushner
Corporate Secretary and
Human Resources Administrator

John M. Pahl
Vice President,
Joint Ventures and
Business Development

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

Karl A. Ruud
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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