

Celebrating 10 Years of Excellence in Drilling



AKITA

2002 Annual Report

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ANNUAL MEETING

The Annual General Meeting of Shareholders will be held at 10:30 a.m. M.D.T. on Tuesday, May 20, 2003 at the Westin Hotel, 320 – 4th Avenue S.W., Calgary, Alberta. Shareholders and other interested parties are encouraged to attend.

Cover Photo: Rig 58, working under joint venture near Fort Liard, in the North West Territories

From time to time AKITA makes written and oral forward-looking statements. These may be included in the Annual Report, filings with Canadian regulators, in reports to shareholders and in other communications. These forward-looking 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.

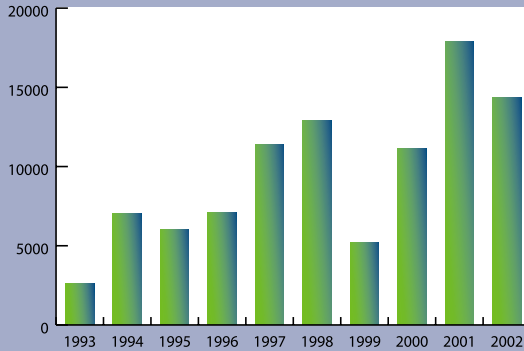
By their nature these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not be achieved. We caution readers of this Annual Report not to place undue reliance on these forward-looking statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, expectations, 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 and North American natural gas prices, weather, access to capital markets and government policies. We caution that the foregoing list of important factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to AKITA, investors and others should carefully consider the foregoing factors as well as other uncertainties and events.

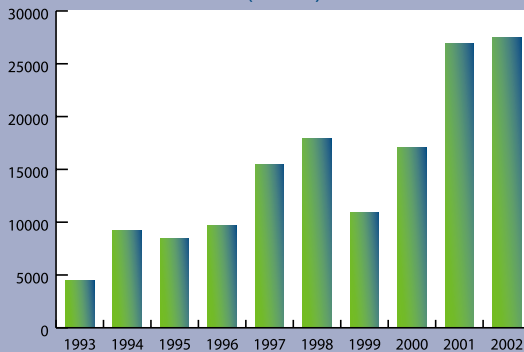


AKITA Drilling Ltd. is a premier oil and gas drilling contractor with operations throughout Western Canada and Canada's Northern Territories. The Company strives to be the industry leader in matters of customer relations, employee expertise, safety, equipment quality and drilling performance. In addition to conventional drilling services, the Company specializes in purpose-built arctic rigs and is active in directional, horizontal and underbalanced drilling providing specialized drilling services to a broad range of independent and multinational oil and gas companies. AKITA currently employs at full operations approximately 650 people operating 36 drilling rigs in all depth ranges.

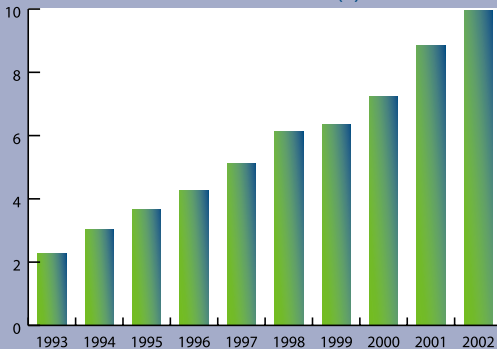
NET EARNINGS (\$000's)



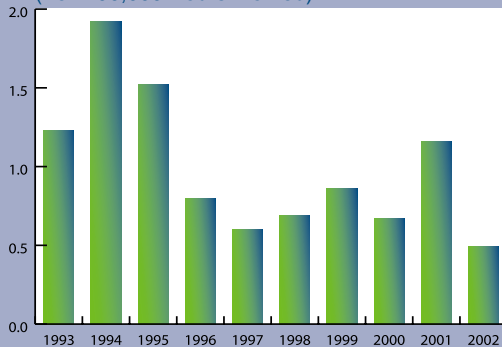
CASH FLOW (\$000's)



EQUITY PER SHARE (\$)



LOST TIME ACCIDENT FREQUENCY
(Per 200,000 hours worked)



Weaker activity in the overall drilling sector led to a decline in earnings from 2001's record performance. Strengthening commodity prices in the fourth quarter brought signs of increasing activity by year end. AKITA has achieved positive earnings in every quarter of its 10 year history.

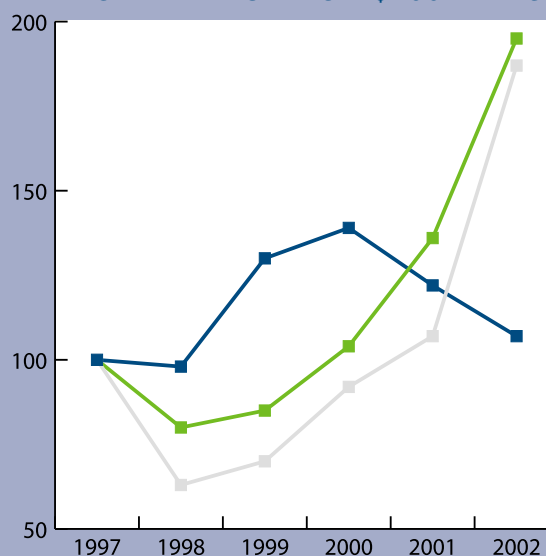
Cash flow from operations reached record levels due to an excellent first quarter and continuing standby revenues from rigs on long-term contracts. Although increased non-cash charges for depreciation and future income taxes had an adverse effect on earnings, these items did not affect cash flow.

Equity per share grew 12.4% on a one year basis, and has increased at an average rate of 18.1% compounded over AKITA's 10 year history.

AKITA has consistently and significantly outperformed industry with respect to safety. For the eighth time in the past ten years, AKITA's lost time accident frequency was less than one half of the industry average.

The graph to the right compares the cumulative return over the last five years on the Class A Non-Voting shares and Class B Common shares of the Company on December 31, 1997 with the cumulative total return of the TSE 300 Stock Index over the same period, assuming reinvestment of dividends.

5 YEAR TOTAL RETURN ON \$100 INVESTMENT



	1997	1998	1999	2000	2001	2002
AKITA Class A	100	63	70	92	107	187
AKITA Class B	100	80	85	104	136	195
TSE 300	100	98	130	139	122	107

SHARE PERFORMANCE

	1998	1999	2000	2001	2002
Weighted average number of Class A and Class B shares	9,499,521	9,318,173	9,083,582	9,080,921	9,093,737
Market Prices for Class A Shares					
High \$	12.80	\$ 11.45	\$ 13.00	\$ 16.00	\$ 20.95
Low \$	5.60	\$ 6.10	\$ 8.00	\$ 10.30	\$ 12.00
Close \$	7.85	\$ 8.55	\$ 10.80	\$ 12.25	\$ 20.95
Volume	5,329,046	2,987,533	3,599,012	2,676,835	2,157,850
Market Prices for Class B Shares					
High \$	10.80	\$ 10.00	\$ 12.00	\$ 16.50	\$ 21.00
Low \$	9.00	\$ 7.00	\$ 8.00	\$ 11.00	\$ 13.00
Close \$	9.00	\$ 9.25	\$ 11.00	\$ 14.00	\$ 19.60
Volume	7,254	2,872	11,082	13,178	8,048

DIVIDEND HISTORY

AKITA began paying dividends to shareholders in 1996. It is the current intention of the Board of Directors to continue to pay quarterly dividends in the future. Nevertheless, the payment of any dividends is at the discretion of the Board of Directors and depends upon the financial condition of the Company and other factors.

	1998	1999	2000	2001	2002
Dividends paid per share (\$)	0.24	0.28	0.32	0.36	0.36



John B. Hlavka,
President and C.E.O.
and Ronald D. Southern,
Chairman of the Board

Our earnings for the year ended December 31, 2002 were \$14,345,000 or \$1.58 per share on revenue of \$102,895,000. Comparative figures for 2001 were \$17,889,000 or \$1.97 per share on revenue of \$110,844,000. Cash flow from operations for the current year was \$27,459,000 as compared to \$26,959,000 in 2001.

Overall, 2002 was a weaker year for the Canadian drilling industry than either of the previous two years and AKITA's results were affected by that weakness. Our rig utilization in 2002 was 46.8% compared to the industry average of 39.2% and AKITA's utilization of 56.9% in 2001. Although this represented the lowest utilization for AKITA in 10 years, our Company still managed to generate record cash flows from operations and had the second best earnings in our history.

BUILDING FROM A STRONG BASE

This Annual Report marks the end of AKITA's first decade. During these first years, our Company has grown in size, profitability, financial strength and overall ability to service the needs of our customers.

In 1993, when AKITA was first formed as an independent public company, our Company owned 25 drilling rigs, had less than \$2 Million in working capital and earned under \$2.6 Million. This contrasts with our current fleet size of 36 drilling rigs, \$26.6 Million in working capital and a fivefold increase in earnings from our first year. Importantly, most of this growth has been accomplished internally. Our Company has never been financially stretched or incapable of making select investments to enhance the value of your shares.

WORKING WITHIN OUR STRATEGIC PLANS

Throughout our history, we have enhanced the quality of the rigs in our fleet by upgrading equipment to increase depth capacity and overall efficiency or by refitting rigs for special purpose use. When conditions warranted, we added new rigs to the fleet, but only when multi-year contracts could be obtained with financially secure customers that would provide an assured capital return during the contract period. These opportunities arose and were capitalized upon in 1997 and again in 2000 and 2001. Waiting for the right opportunities has been rewarded with improved results. In 2002 we were once again the beneficiaries of good contracts as we witnessed strong financial performance in spite of an overall weaker market for rigs.

As a result of the slower drilling market and lack of new drilling opportunities, particularly in the North, our capital expenditure program totalled \$5.8 Million in 2002 compared to the \$54.3 Million invested in capital projects during 2001. Your Board and Management are committed to adding significant assets to your Company when we can obtain suitable multi-year contracts to provide confidence that such investment is warranted.

Last year we stated that our emphasis remains on deep natural gas and heavy oil drilling and the execution of our northern strategy, which involves being active in joint ventures throughout Northern Canada. While this focus continues, we constantly take steps to ensure that we do not overlook other drilling related opportunities to increase your share value.

The provision of quality service by trained and responsible people with well-maintained equipment is a consistent strategy that AKITA has employed throughout our 10-year history and is engrained in the overall culture of our Company. The quality of our people is demonstrated, as an example, by continually having one of the safest working records in our industry.

A marketing objective for AKITA is the identification and development of strong business relationships with key customers that will be active through all phases of the exploration cycle, or with companies that work within AKITA's strategic geographic niche in Northern Canada. In 2002, AKITA provided drilling services for 68 companies, a number that is at the high end of the range for our Company and indicative of weaker demand and the opportunity for us to market rigs on a broader basis than in years of higher activity.

LOOKING TO OUR FUTURE

Although we are proud of AKITA's achievements, we recognize that a number of key challenges lie ahead. The development of Canada's North is proceeding, but in the Mackenzie Delta Region at a slower pace than was anticipated when the latest four Arctic designed rigs were built. We are optimizing the usefulness of two of these rigs by using them

in Southern Canada until such time as they are required in the North. A positive natural gas pipeline announcement for the Mackenzie Valley would provide a meaningful catalyst to accelerate northern drilling and would provide significant opportunities for AKITA's northern rigs under contracts that are due to expire at various dates starting in late 2004.

We are receiving some positive signs with respect to the outlook in Southern Canada for the balance of this year. World oil prices, which are influenced by both political and economic factors, have been in excess of US\$30 per barrel in 2003. Of greater importance, North American natural gas pricing is also strong and has benefited from a lack of capacity to replace inventories of stored gas for winter use. High oil and gas prices are having a positive impact for most of our customers. Some of these companies have indicated a willingness to expand their drilling programs to capitalize on these higher commodity prices. AKITA has a fleet that can respond well to either need with our mix of assets that focuses on both shallow and deep natural gas and includes specialty equipment for heavy oil wells.

RECOGNIZING A UNIFIED EFFORT

We wish to acknowledge with thanks the dedicated efforts of our employees, partners, customers and suppliers, all of whom make an important contribution to AKITA's success.

We were proud to announce, effective August 8, the addition of Mr. Charles Wilson to our Board of Directors. Mr. Wilson brings a strong oil and gas background having held several senior executive positions, including Chief Executive Officer and Director of a major Canadian integrated oil and gas company.

The values and commitment that each of our directors brings to AKITA have resulted in a well-governed Company, positioned not only for today's marketplace but also strategically for the future.

We wish to offer a special thank you to each of our shareowners, without whose support none of our achievements would be possible.

On behalf of the Board of Directors.

[Signed]

Ronald D. Southern
Chairman of the Board

March 26, 2003

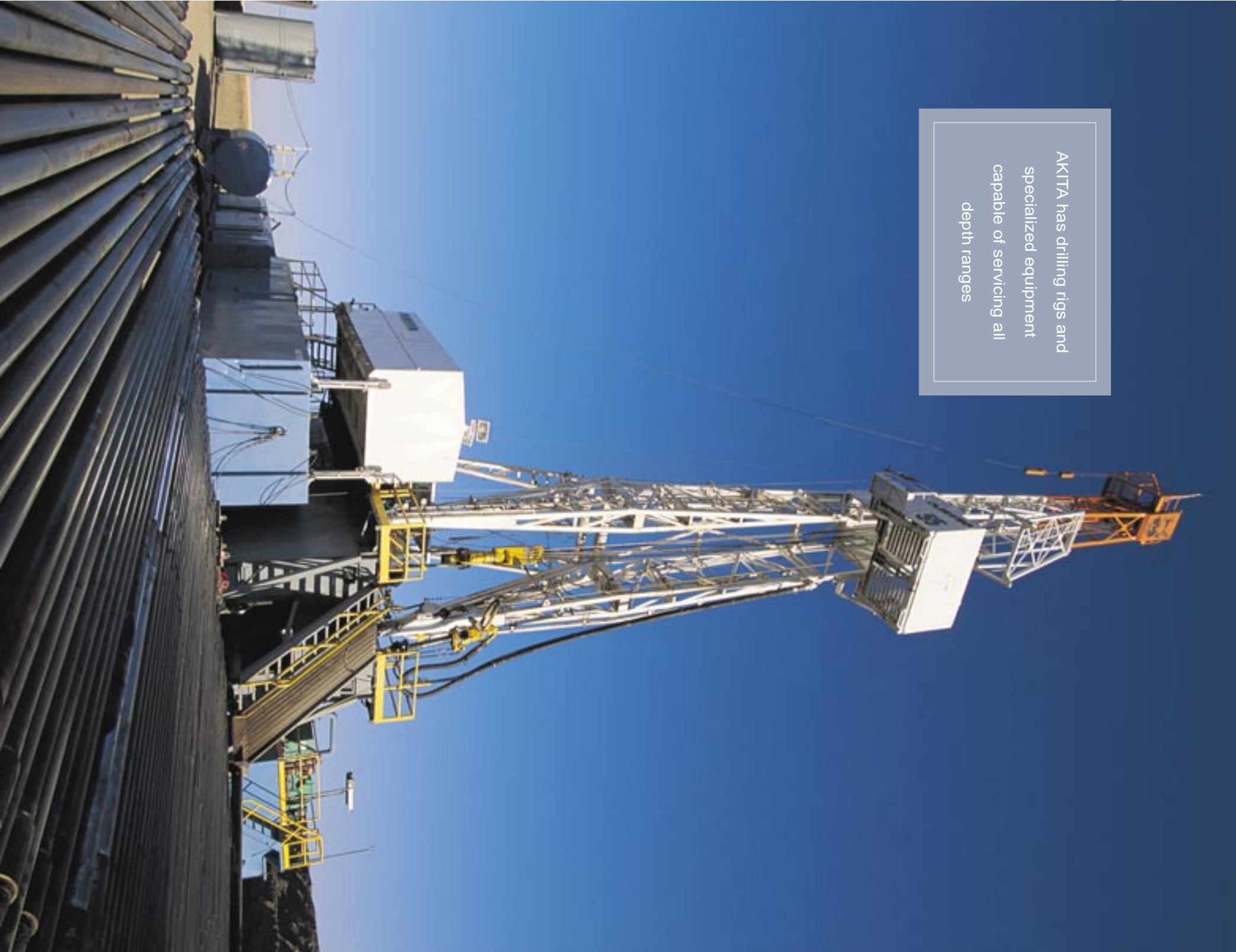
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John B. Hlavka
President



AKITA endeavours
to protect the pristine areas
in which it works

AKITA has drilling rigs and specialized equipment capable of servicing all depth ranges



AKITA's business strategy is driven by a commitment to creating shareholder value through the provision of excellent equipment and high quality service. Weak market conditions affected 2002 results although AKITA experienced a modest positive impact from improving commodity prices during the second half of the year.

AKITA's utilization is increasingly influenced by northern operations since drilling seasons are generally shorter than in the western provinces. In many cases, the lower utilization obtained by northern rigs is offset in varying degrees by obtaining standby revenue for part or all of a given year.

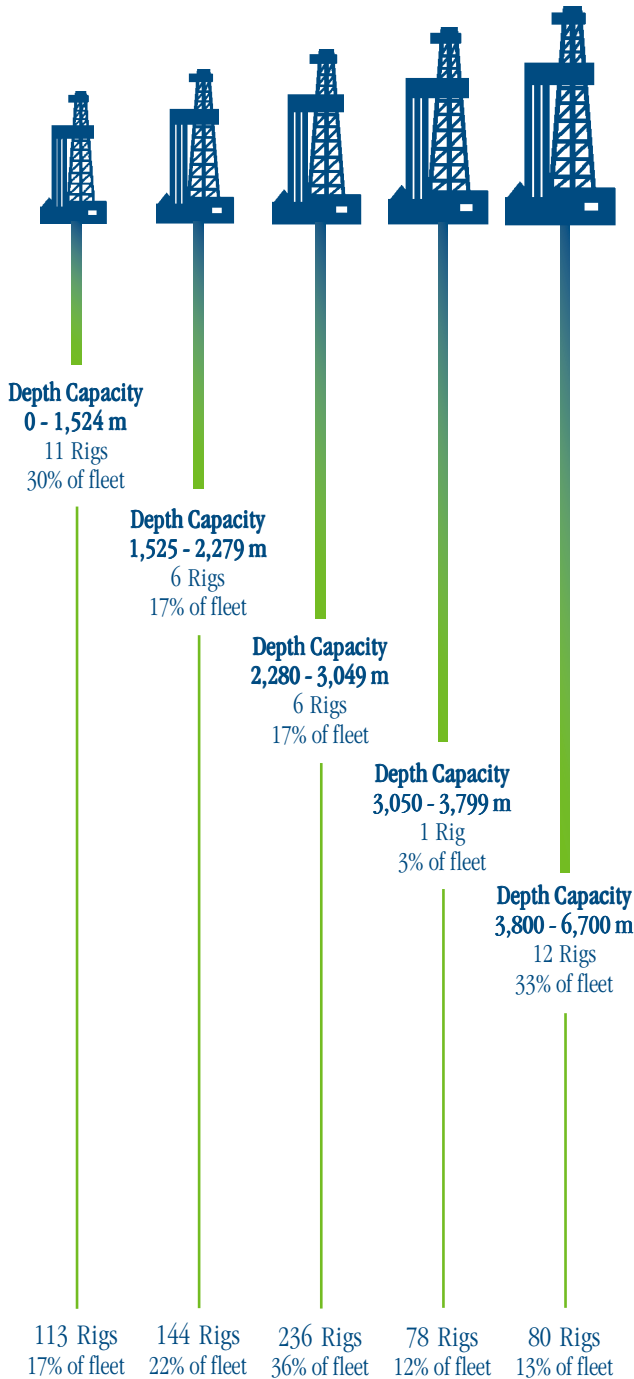
AKITA drilled 1,202 wells for a total of 1,008,000 metres or approximately 8% percent of the total wells drilled in Western Canada in 2002. The Company provided drilling services for 68 customers, 14 more customers than for the previous year.

AKITA's northern operations are conducted through several different joint ventures. In the southwest portion of the Northwest Territories, parts of Northern British Columbia and parts of the Southeast Yukon Territory, AKITA operates through either AKITA/SAHCHO Drilling Ltd. or AKITA/KASKA Drilling Ltd. Lying within the geographic region of AKITA/SAHCHO is Fort Liard - a region that has generated meaningful exploration activity. In the central Mackenzie Valley of the Northwest Territories operations are conducted



AKITA drilled 21 coal bed methane wells in 2002

AKITA DRILLING DEPTH CAPACITY



INDUSTRY AVERAGES

through AKITA/SAHTU Drilling Ltd. The centre of this region is Norman Wells, site of a major oil field. Furthest north, including the Mackenzie Delta region, are the operations of AKITA EQUTAK Drilling Ltd. AKITA had six rigs working in its joint venture territories during 2002.

The remoteness of these northern locations, coupled with seasonal and logistical issues, make these areas both challenging and exciting in their potential. AKITA understands this and has the experience to be successful in this northern environment, one that is rich in history and traditional cultural values. AKITA's commitment to each of these regions and joint ventures includes training, employment and economic benefits for community residents.

During 2002, AKITA drilled a total of nine wells North of 60° using six rigs. This represented 75% of all wells drilled "North of 60" during the year.

AKITA operates a well-maintained, diversified and efficient fleet of 36 drilling rigs within the Western Canadian Sedimentary Basin and in Canada's Northern Territories. Most of AKITA's 2002 drilling activity was related to exploration and development for natural gas. The Company's large percentage of deep capacity equipment assures favourable exposure to deep gas drilling which occurs in the foothills and some mountain regions of Alberta, British Columbia, and the Northwest and Yukon Territories. AKITA's shallow rigs provide strong exposure to shallow gas drilling typical of Southern Alberta and Saskatchewan. This rig mix ensures that the Company is able to participate effectively in changing markets.

Drilling for coal bed methane has been a fairly recent development in Western Canada. This potentially vast resource will require intensive drilling to be fully developed. AKITA drilled 21 coal bed methane wells in 2002.

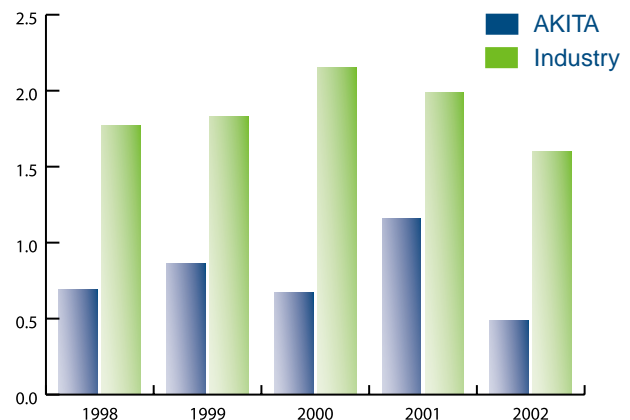
AKITA is strongly committed to the ongoing safety of its employees and consistently achieves one of the safest working records in the Canadian drilling industry. The Company incorporates methods to eliminate or reduce hazards in the design of equipment as well as through the use of standardized operating procedures that are regularly updated. AKITA's lost time accident frequency, which represents lost time accidents per 200,000 hours worked, has been consistently and significantly better than the industry average as demonstrated in the table below. Field employees complete extensive safety training and must meet current industry certifications. Managers, employees and subcontractors are all required to understand and accept their responsibility for maintaining a safe working environment.


AKITA has had a long-standing commitment to ensure that its daily operations are environmentally responsible and are in compliance with all regulatory requirements. The Company continually monitors products used and procedures followed in its operations as well as changes in regulations to ensure responsible management of environmental issues. The Board of Directors receives regular reports regarding compliance with AKITA's comprehensive environmental management programs. AKITA's programs have been in place for many years and are continually monitored, improved upon, and supplemented, as circumstances warrant.

AKITA is committed to responsible management of environmental issues and to providing a healthy and safe environment for its employees



LOST TIME ACCIDENT FREQUENCY



A tall, white and yellow drilling rig structure stands in a dense forest. The rig is composed of a lattice tower with a central vertical pipe and various platforms and ladders. The surrounding area is filled with tall, thin trees and a thick canopy of green leaves. The sky is a clear, bright blue. The rig is positioned on a cleared area of ground, possibly a wellhead or a small platform.

Eight of AKITA's rigs have
crews that have achieved in
excess of 2,000 days
without a Lost Time Incident

The following sets out management's analysis of the financial position, cash flows and results of operations for AKITA Drilling Ltd. (also referred to as "AKITA" or "the Company") for the years ended December 31, 2002 and 2001. The information is intended to assist readers in analyzing the financial affairs of the Company. In addition to the information in this section, AKITA's audited financial statements for 2002 and 2001, including notes thereon, found on pages 26 to 36, provide information on the Company's financial position and results of its operations.

REVENUE AND OPERATING & MAINTENANCE EXPENSES

\$Million	2002	2001	Change	%
Revenue	102.9	110.8	(7.9)	(7%)
Operating & Maintenance Expenses	59.9	63.6	(3.7)	(6%)

Overall revenue decreased to \$102,895,000 during 2002 from \$110,844,000 during 2001 as a result of weaker activity in the overall drilling sector. Notwithstanding this decline in total revenue, revenue per operating day increased to \$16,723 during 2002 from \$16,036 per operating day in 2001 largely as a result of five rigs earning revenue under long-term contracts at fixed rates. Four of these rigs were completed during 2001 and therefore only contributed to 2001 results for part of that year. These contracts are due to expire at various dates from late 2004 to mid 2006. At December 31, 2002, AKITA had 36 rigs under management (33.45 rigs net), the same as at the end of 2001. Operating and maintenance costs vary directly with revenue and amounted to \$59,929,000 or \$9,740 per operating day during 2002 compared with \$63,584,000 or \$9,199 per operating day for the prior year.

DEPRECIATION EXPENSE

\$Million	2002	2001	Change	%
Depreciation Expense	8.8	7.8	1.0	14%

AKITA depreciates most of its rigs using the unit of production method based on an estimated life of 2,000 operating days per rig. The depreciation increase to \$8,819,000 during 2002 from \$7,763,000 during 2001 was mostly attributable to AKITA's new rigs being in operation for a full year, offsetting a slight reduction in depreciation from the established rigs. Beginning in 2002, the Company recorded depreciation on its five newest rigs over estimated service lives of 3,600 operating days per rig. Unlike other rigs in AKITA's fleet, in particular those that were already used at the time AKITA became an independent public company, the rigs depreciated over 3,600 operating days are new construction and subject to fewer moves than smaller sized rigs in AKITA's fleet. Assets other than rigs are depreciated over their estimated remaining lives using a straight line or declining balance basis of calculation.

SELLING AND ADMINISTRATIVE EXPENSES

\$Million	2002	2001	Change	%
Selling and Administrative Expenses	10.0	10.6	(0.6)	(6%)

Selling and administrative expenses were 9.7% of total revenue in 2002 compared to 9.6% of total revenue in 2001. The single largest component was salaries and benefits, which accounted for 62% of these expenses (59% in 2001).

OTHER INCOME (EXPENSE)

\$Million	2002	2001	Change	%
Other Income	(0.7)	1.5	(2.2)	(144%)

Interest on long-term debt was \$1,611,000 in 2002 compared to 2001, where \$433,000 was recorded as interest on long-term debt and an additional \$588,000 was recorded as interest on construction loans. The Company commenced borrowing for rig construction on a demand basis in the first quarter of 2001 and converted its indebtedness into long term debt in the fourth quarter of that year. Interest income was \$594,000 in 2002 compared to \$663,000 in 2001 as a result of lower interest rates in 2002. Gains from asset sales were \$344,000 in 2002 compared to \$1,670,000 in the previous year. Most of the gains recorded in each year resulted from conditional rig sales to joint venture parties.

INCOME TAX EXPENSE

\$Million	2002	2001	Change	%
Current Tax	4.8	9.8	(5.0)	(51%)
Future Tax	4.3	2.7	1.6	57%

Income tax expense decreased to \$9,128,000 in 2002 from \$12,506,000 in 2001, mostly due to lower pretax earnings and to a lesser extent as a result of lower income tax rates. A larger portion of 2002 tax expense was classified as future tax due to higher CCA deductions taken as a result of new rigs that were completed in 2001.

NET EARNINGS AND CASH FLOW

\$Million	2002	2001	Change	%
Net Earnings	14.3	17.9	(3.6)	(20%)
Cash Flow from Operations	27.5	27.0	0.5	2%

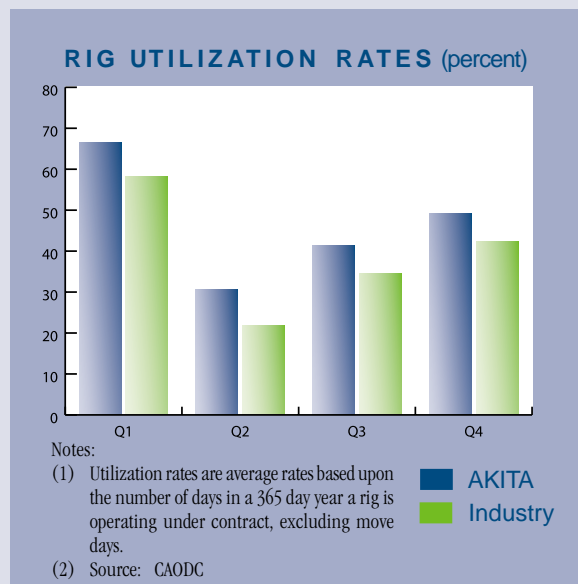
Net earnings decreased to \$14,345,000 or \$1.58 per Class A Non-Voting Share and Class B Common Share for 2002 from \$17,889,000 or \$1.97 per share in 2001. Cash flow from operations increased to \$27,459,000 in 2002 from \$26,959,000 in 2001. Lower activity rates accounted for the decrease in earnings, which was only partially offset by revenue earned from rigs working on long-term contracts.

FLEET AND UTILIZATION

Utilization rates are a key statistic for the drilling industry since they measure sales volume and influence pricing. During 2002, AKITA's utilization rate was 46.8% which was 10.1 percentage points lower than the previous year and 7.6 percentage points higher than the 2002 industry average. For the sixth consecutive year, deep rig activity targeting natural gas led the market. Medium depth capacity rigs, which typically drill for oil targets, represented the slowest segment.

In addition to depth capacity, the number of its rigs located in the North increasingly influences AKITA's utilization. This geographic sector is quite diverse but generally results in shorter drilling seasons than exist for southern locations. In many cases, AKITA receives standby revenue to help offset the higher amount of down time involved in operating in Northern Canada.

The Canadian drilling industry is seasonal with activity building in the fall and peaking during the winter months as northern transportation routes become available when areas with muskeg conditions freeze sufficiently to allow the movement of rigs and other heavy equipment. The peak Canadian drilling season ends with "spring breakup", at which time drilling operations are curtailed due to seasonal road bans (temporary prohibitions on road use) and restricted access to agricultural land. During 2002, the quarterly differences were larger than normal which is often indicative of a changing drilling market.



AKITA's crews receive specialized training to help ensure the safe operation of large equipment



The graph at the left highlights AKITA's 2002 utilization rates compared to the industry average.

The seasonal level of operations has a corresponding impact on financial results. The following table highlights the seasonal impact of AKITA's operations for 2002 and 2001:

	Dec.31	Sept.30	Jun.30	Mar.31
<i>(dollars in thousands, except per share)</i>				
<i>(unaudited)</i>				
2002 - Three Months Ended				
Revenue	26,105	21,396	17,611	37,783
Earnings	4,023	2,682	1,629	6,011
Basic earnings per share	0.44	0.30	0.18	0.66
Diluted earnings per share	0.42	0.29	0.18	0.65
Cash flow from operations	7,560	5,349	3,526	11,024

2001 - Three Months Ended				
Revenue	28,381	26,592	19,967	35,904
Earnings	6,104	3,553	2,245	5,987
Basic earnings per share	0.67	0.39	0.25	0.66
Diluted earnings per share	0.66	0.39	0.25	0.65
Cash flow from operations	9,353	6,517	3,667	7,397

LIQUIDITY AND CAPITAL RESOURCES

AKITA has typically generated sufficient cash flow from operations to fund its normal operating activities as well as capital expenditures. In years in which no new rigs are built under contract, the Company typically restricts capital expenditures to less than 50% of cash flow from operations. In 2002, AKITA's capital expenditure program of \$5,831,000 represented 21% of cash flow from operations and was predominantly dedicated to one rig upgrade in addition to more routine capital expenditures.

At December 31, 2002, AKITA had \$26,551,000 in working capital including \$23,053,000 in cash, compared to \$19,823,000 in working capital, including \$22,817,000 in cash, for the previous year. Most of the increase in cash resulted from payments by joint venture partners for their share of newly constructed rigs and from having a smaller capital expenditure program than in 2001.

AKITA's bank operating line is unchanged at \$10,000,000 from the prior year. Interest is payable on the operating line at prime interest rates and is secured by accounts receivable. The total amount of available financing varies with receivable balances. In 2001, AKITA established a term loan facility totalling \$40 Million to partially fund construction of drilling rigs. Bank term loans were divided into two equal components at the time financing was arranged, one half bearing interest at prime plus ½% while the second half bears interest at 6.24%. Both portions of each term loan were based upon maximum terms of four years and allow for early repayment at AKITA's option. On April 22, 2002 AKITA exercised its option to repay the floating rate portion of its term loans and replaced it with a renewable borrowing facility of up to \$20 Million under similar terms and conditions. To date, the Company has not drawn upon the replacement facility.

In 2001, AKITA issued 333,350 Cumulative Redeemable Convertible Preferred Shares (the "Preferred Shares") for total proceeds of \$5 Million. The Preferred Shares pay dividends at 4% and carry the right to be converted on November 30, 2004 into Class A Non-Voting Shares on a one for one basis. Any Preferred Shares not converted must be redeemed by the Company on December 1, 2004 at \$15 per share.



AKITA's marketing program emphasizes the continuous development of long-term relationships with a core base of customers who maintain ongoing drilling programs during all phases of the economic cycle.

CLASS A AND CLASS B SHARE DIVIDENDS

\$ Per Share	2002	2001	Change	%
Dividends	0.36	0.36	0.0	0%

During 2002, AKITA paid dividends totalling \$0.36 per share (\$3,283,000) on its Class A Non-Voting and Class B Common Shares, unchanged from \$0.36 per share (\$3,269,000) for 2001. The payment of any dividends is at the discretion of the Board of Directors and depends upon the financial condition of AKITA and other factors. Since the inception of the quarterly dividend program, dividends have been paid in each quarter of every year. The most recent dividend was declared on February 25, 2003 with a dividend rate of \$0.09 per share.

CAPITAL ASSETS

Total capital asset additions for 2002 were \$5,831,000. As a result of recovering its proportionate share of costs related to one of its joint ventures, net fixed asset additions for AKITA were (\$2,061,000) in 2002 compared with \$54,319,000 in the previous year. The highlight of 2002's capital expenditure program was the upgrade of one of its doubles at a cost of \$1.3 Million. Additional capital of \$4.5 million was spent purchasing tubulars and other rig components.

AKITA's net book values for rigs and related equipment remain significantly lower than current replacement costs. At year-end, the average book value of AKITA's rig fleet was \$2.6 million per rig.

Management reviews its assets on an annual basis and makes a determination based upon its own knowledge of the assets to ensure each net recoverable amount (based on future net cash flows) will be achieved over remaining service lives. No adjustments were made in 2002 or 2001 to carrying values as a result of this review.

BUSINESS RISKS AND RISK MANAGEMENT

The drilling industry is cyclical and the business of AKITA is directly affected by fluctuations in the level of exploration and development activity carried on by its customers. Drilling activity is seasonal and, in turn, is directly affected by a variety of factors, including weather, world oil and North American natural gas prices, access to capital markets and government policies. Any prolonged or significant decrease in energy prices or economic activity, or adverse change in government regulation could have a significant negative impact on exploration and development drilling activity in Canada. AKITA's

marketing program emphasizes the continuous development of long-term relationships with a core base of customers who maintain ongoing drilling programs during all phases of the economic cycle.

The success of AKITA also depends on other factors, including competition and the management of operational and environmental risks.

AKITA manages its risks in these areas by:

- employing well trained, experienced and responsible employees
- ensuring that all employees comply with clearly defined safety standards
- improving the skills of its employees through training programs
- reducing environmental risk through the implementation of industry-leading standards, policies and procedures
- maintaining an efficient fleet of rigs through a rigorous ongoing maintenance program
- constantly upgrading its rig fleet
- maintaining comprehensive insurance policies with respect to its operations

AKITA is subject to federal, provincial, territorial and local environmental protection laws concerning emissions to the air, discharges to surface and subsurface waters and the handling, use, emission and disposal of materials and wastes from drilling operations.

AKITA is committed to preserving and protecting the environment and minimizing the discharge of hazardous materials into the environment in accordance with environmental protection laws and regulations. AKITA verifies compliance with these laws and regulations as well as its own well developed and closely monitored internal procedures through a program of regular environmental audits. Some risk of unintentional breaches of environmental protection laws and potential liability is occasionally inherent in particular operations of the industry.

AKITA does not believe that environmental protection laws and regulations affect its operations differently from other responsible companies in the contract drilling industry. Ongoing capital and operating costs of compliance with existing laws and regulations have not been quantified but are not expected to have a material impact on the earnings or competitive position of AKITA.

AKITA maintains comprehensive insurance policies with respect to its operations in amounts that it believes are adequate and in accordance with industry standards. AKITA's liability with respect to its well-site activities is limited by provisions of its agreements with oil and gas well operators that either limit AKITA's liability or provide for indemnification of AKITA

against certain risks. As a matter of policy, AKITA ensures blowout insurance has been obtained by its customers and thereby reduces its related risk.

Drilling in Northern Canada has become an increasing aspect of AKITA's operations. Special challenges are present in order to operate effectively in this region. The North represents a small part of the total Canadian market, is very seasonal and in most cases depends upon frozen conditions and ice. Local businesses, communities and land corporations play a major role in the infrastructure of the North through aboriginal land claim settlements and access agreements. AKITA manages its risks in this region by adding new rigs only on a multi-year contract basis and by working co-operatively in Joint Ventures with aboriginal partners with both partners sharing rig ownership.

FUTURE OUTLOOK

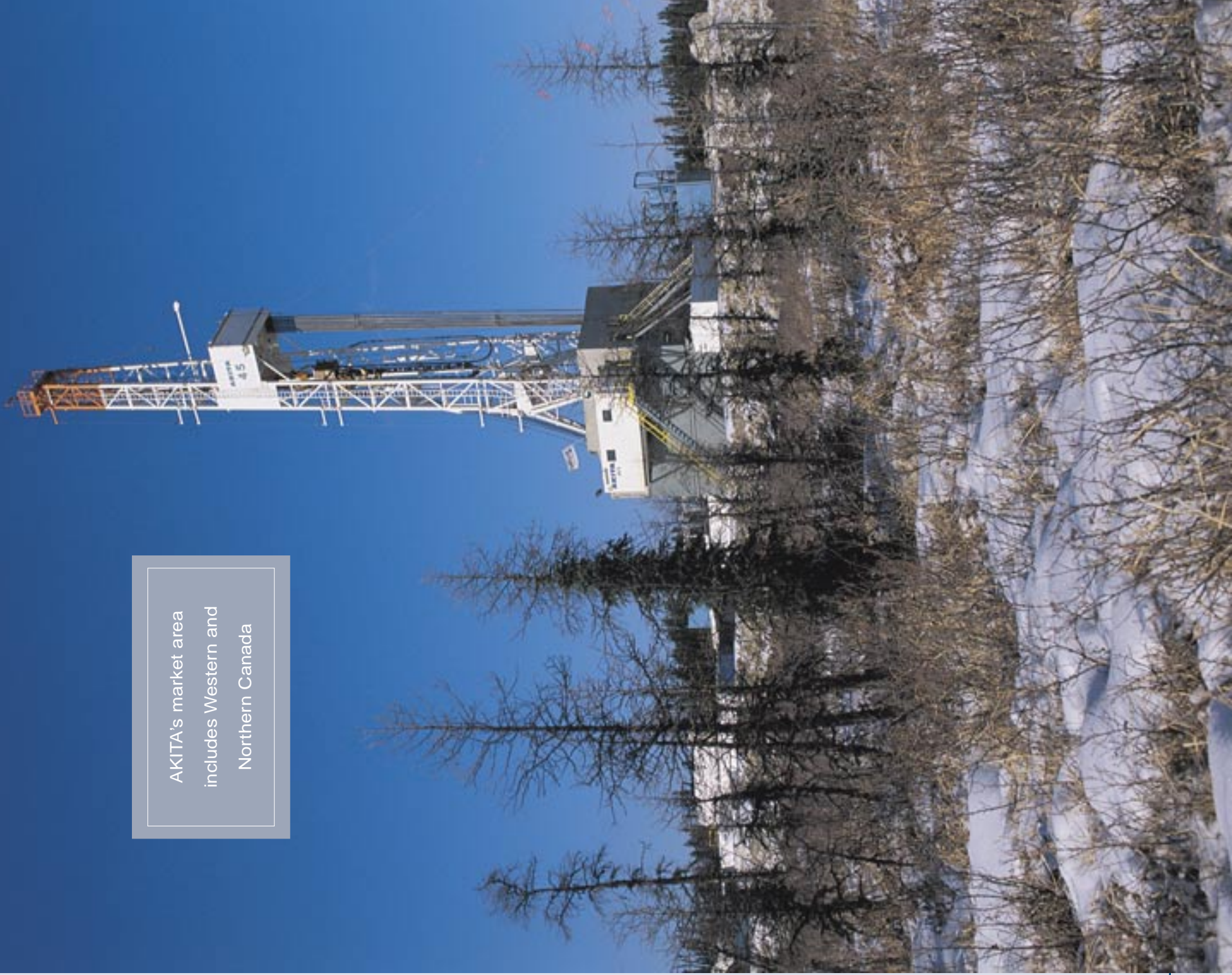
The drilling industry is cyclical and certain key factors that have an impact on AKITA's results are beyond management's control. Like other drilling contractors, AKITA is exposed to the effects of fluctuating oil and gas prices and changes in the exploration and development budgets of its customers.

AKITA's prospects currently appear to be positive in the short-term. Commodity prices for both oil and natural gas are substantially higher than one year ago. The Canadian Association of Oilwell Drilling Contractors currently forecasts drilling 17,532 wells in 2003 compared to 14,200 wells in 2002. This increase in drilling activity, should it occur, will have a positive effect on AKITA's operating results through higher rig utilization and potentially increased operating margins as compared to 2002. Certain political and economic events, including a war in Iraq, prolonged weak world economies and significant declines in commodity prices for oil or natural gas could result in significantly lower activity levels than the aforementioned well forecast.

Longer term, the Company remains well positioned as a result of its emphasis on both shallow and deep drilling, and has rigs in position to take advantage of heavy oil and frontier drilling opportunities.

AKITA is continuing to pursue other opportunities, particularly in the North.

AKITA's market area
includes Western and
Northern Canada



Faces of



AKITA Drilling



The accompanying financial statements of AKITA Drilling Ltd., Management's Discussion and Analysis and other information relating to the organization contained in this Annual Report are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared in accordance with accounting policies detailed in the notes to the financial statements and are in conformity with accounting principles generally accepted in Canada using methods appropriate for the industry in which the Company operates. Where necessary, estimates of transactions and operations that were incomplete at year-end have been made by management. Financial information throughout the Annual Report is consistent with the financial statements.

Management ensures the integrity of the financial statements by maintaining systems of internal control. These systems are designed to provide assurance that assets are safeguarded from loss or unauthorized use, that transactions are properly recorded and that the financial records are reliable for preparing the financial statements.

PricewaterhouseCoopers LLP, the Company's independent auditors, have conducted an examination of the financial statements and have had full access to the Audit Committee. Their report appears on page 25.

The Board of Directors, through its Audit Committee comprised of three non-management directors, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management and the independent auditors to discuss auditing and financial matters and to gain assurance that management is carrying out its responsibilities.

[Signed]

John B. Hlavka
President and C.E.O.

[Signed]

Murray J. Roth
Vice President Finance

TO THE SHAREHOLDERS OF AKITA DRILLING LTD.

We have audited the balance sheets of AKITA Drilling Ltd. as at December 31, 2002 and 2001 and the statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[Signed]

Chartered Accountants
Calgary, Alberta

February 28, 2003

BALANCE SHEET

(Dollars in thousands)			
December 31		2002	2001
Assets			
Current assets			
Cash	\$23,053	\$22,817	
Accounts receivable		20,353	22,599
Income taxes recoverable		502	-
Other		106	20
		44,014	45,436
Investments		78	78
Capital assets	Note 2	89,809	100,345
		\$133,901	\$145,859
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$12,420	\$13,414
Income taxes payable		-	2,325
Current portion of long term debt		5,043	9,874
		17,463	25,613
Long term debt	Note 4	9,339	28,261
Future income taxes	Note 10	8,932	4,623
Pension liability	Note 5	2,378	2,118
Series preferred shares	Note 6	4,842	4,772
Class A and Class B Shareholders' Equity			
Series preferred shares	Note 6	228	228
Class A and Class B shares	Note 7	18,903	18,043
Retained earnings		71,816	62,201
		90,947	80,472
		\$133,901	\$145,859

Approved by the Board

[Signed]

Director

[Signed]

Director

STATEMENT OF EARNINGS AND RETAINED EARNINGS

(Dollars in thousands, except per share)

Year ended December 31	2002	2001
Revenue	\$102,895	\$110,844
Costs and expenses		
Operating and maintenance	59,929	63,584
Depreciation	8,819	7,763
Selling and administrative	10,001	10,620
	78,749	81,967
	24,146	28,877
Other income (expense)		
Interest on long-term debt	(1,611)	(433)
Interest on construction loans	-	(588)
Interest income	594	663
Dividend income	-	206
Gain on sale of capital assets	344	1,670
	(673)	1,518
Earnings before income taxes	23,473	30,395
Income taxes		
Current	4,819	9,766
Future	4,309	2,740
	9,128	12,506
Net earnings	14,345	17,889
Retained earnings, beginning of year	62,201	47,581
Dividends	(3,283)	(3,269)
Adjustment on repurchase and cancellation of share capital	(1,447)	-
Retained earnings, end of year	\$71,816	\$62,201
Earnings per Class A and Class B share		
Basic	\$1.58	\$1.97
Diluted	\$1.54	\$1.94

STATEMENT OF CASH FLOWS

(Dollars in thousands)

Year ended December 31

Operating activities

	2002	2001
Net earnings	\$14,345	\$17,889
Non-cash items included in earnings		
Depreciation	8,819	7,763
Future income tax	4,309	2,740
Pension expense	260	237
Amortization of preferred share discount	70	-
Gain on disposal of capital assets	(344)	(1,670)
Cash flow from operations	27,459	26,959
Change in non-cash working capital	(2,124)	2,409
	25,335	29,368

Investing activities

Capital expenditures	(5,831)	(70,459)
Proceeds on disposal of capital assets	7,892	16,140
Increase in investments	-	(36)
Change in non-cash working capital	477	(252)
	2,538	(54,607)

Financing activities

Issue of long-term debt	-	40,000
Repayment of long-term debt	(23,753)	(1,865)
Issue of preferred shares	-	5,000
Dividends	(3,283)	(3,269)
Issue of share capital	1,069	-
Repurchase of share capital	(1,656)	-
Change in non-cash working capital	(14)	-
	(27,637)	39,866

Increase in cash

Cash position, beginning of year	22,817	8,190
Cash position, end of year ¹	\$23,053	\$22,817
Interest paid during the year	\$1,635	\$931
Income taxes paid during the year	\$7,646	\$9,437

¹ Cash comprises cash and highly liquid short-term investments.

December 31, 2002

(tabular amounts in thousands of dollars except where noted)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AKITA Drilling Ltd.'s financial statements are prepared in accordance with accounting principles generally accepted in Canada.

Revenue recognition on contracts

Revenue resulting from the supply of contracted services is recorded by the percentage of completion method. On daywork contracts work in progress is measured based upon the passage of time. Any anticipated loss is provided for in its entirety when the estimated loss is identified.

Depreciation

Drilling rigs are depreciated using the unit of production method based on an initial estimated life of 2,000 operating days per rig. Commencing in 2002, certain large rigs had lives re-estimated to 3,600 operating days per rig. The estimate of 3,600 operating days for specific rigs was based upon these rigs being moved relatively less often than certain smaller capacity rigs thereby encountering less wear and tear than smaller rigs and that AKITA's remaining large rigs were used when AKITA acquired them. If AKITA had adopted the effects of this change in estimate at the beginning of 2001, depreciation expense would have been reduced by \$246,000 in that year.

Replacement drill pipe and other ancillary drilling equipment are depreciated using a straight-line basis at rates varying from 6% to 12.5% per annum.

Buildings, furniture, fixtures and equipment are depreciated using the declining balance method at rates varying from 4% to 25% per annum except drilling camps, which are depreciated using a straight-line basis over 10 years.

Stock based compensation plans

The Company has two stock-based compensation plans, which are described in Note 9. No compensation expense is recognized for these plans when stock options or share appreciation rights are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital. For years up to and including 2001 any stock options that were repurchased from participants resulted in the consideration paid being charged to retained earnings. Commencing in 2002, AKITA adopted the new standard implemented by the CICA whereby amounts paid in excess of their value be charged to compensation expense. This new policy is being applied prospectively.

Compensation expense for share appreciation rights is accrued monthly based upon the excess of underlying month-end share price over the base value of the rights. The accrued liability is adjusted for the effect of changes in the underlying share price through charges or credits to compensation expense.

Income Taxes

The Company records income taxes using the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using tax rates that are substantively enacted to be in effect when the differences are expected to reverse. The effect of a change in tax rates is recognized in income in the period that the change occurs.

Employee Future Benefits

The Company accrues for its obligations under its defined benefit pension plan. Costs of these benefits are determined using the projected benefits method prorated on service and reflect management's best estimates of wage and salary increases and age at retirement. Any unrecognized amounts resulting from experience gains or losses or changes in actuarial assumptions in excess of 10% of the actuarial present value of retirement benefits are amortized over the expected remaining service lifetime of each individual on a straight-line basis.

Employer contributions to the defined contribution pension and group RRSP plans are expensed as paid.

Per Share Data

Basic earnings per share have been calculated on the basis of the weighted average number of Class A Non-Voting and Class B Common shares outstanding during the year. Diluted earnings per share have been calculated using the treasury stock method. Under the treasury stock method, the dilutive effects of all potentially dilutive instruments are included in the weighted average number of shares. It is also assumed that no cash flow or income is earned on the proceeds received from the dilutive shares issued, but rather, the proceeds are used to buy back shares at the weighted average market price experienced during the year. The weighted average number of shares is then reduced by the number of shares acquired.

Joint Ventures

The Company conducts most of its operations in Canada's northern territories via joint ventures. Ownership in and results of operation from these joint ventures are recorded under the proportionate consolidation method whereby only AKITA's share of the assets, liabilities, revenue and expenses are recognized. There are no significant terms or conditions in any of the Company's joint ventures which could have a material financial statement impact.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements. Significant estimates used in the preparation of these financial statements include estimates relating to the useful lives of drilling rigs.

2. CAPITAL ASSETS

	2002		2001	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Drilling rigs and related equipment	\$131,049	\$43,044	\$132,995	\$34,555
Other	3,710	1,906	3,627	1,722
	\$134,759	\$44,950	\$136,622	\$36,277
Net Book Value	\$89,809		\$100,345	

3. CREDIT LINE

The Company has a credit line totalling the lesser of \$10 million or 80% of accounts receivable at bank prime plus ½% secured by a general assignment of accounts receivable. This line was not drawn upon at either December 31, 2002 or December 31, 2001.

4. LONG TERM DEBT

	2002	2001
Bank term loans outstanding	\$14,382	\$38,135
Current portion	5,043	9,874
	\$9,339	\$28,261

Bank term loans were divided into two equal components at the time financing was arranged, one half bearing interest at prime plus ½% while the second half bears interest at 6.24%. Both portions of each term loan were based upon maximum terms of four years and allow for early repayment at the borrowers option. On April 22, 2002 AKITA exercised its option to repay the floating rate portion of its term loans and replaced it with a renewable borrowing facility of up to \$20 million under similar terms and conditions. To date, the Company has not drawn upon the replacement facility. The average effective borrowing rate during 2002 was 5.79%.

Security for bank term loans consists of a general security agreement providing for a fixed charge on certain assets, promissory notes and an assignment of insurance proceeds on certain property and equipment.

Minimum principal payments are as follows:

Year	
2003	\$5,043
2004	5,366
2005	3,973

5. PENSION LIABILITY

The Company has a defined contribution pension plan that covers substantially all of its employees. Under the provisions of the plan, the Company contributes 5% of regular earnings for eligible employees on a current basis. In addition, employees having eligible terms of service are subject to admission into the group RRSP plan.

The Company has also established a defined benefit pension plan for selected employees. The defined benefit plan, which provides for pensions based upon the age of the retiree at the date of retirement and in certain cases the final average earnings is non-contributory and unfunded.

No current service cost was incurred in either 2002 or 2001.

	2002	2001
Accrued benefit obligation as at January 1	\$2,118	\$1,881
Interest cost	188	179
Actuarial loss	72	58
Accrued benefit obligation as at December 31	2,378	2,118
Unamortized net losses	353	454
Unamortized transitional obligation	356	327
Actuarial present value of defined benefit obligation	\$3,087	\$2,899
Assumptions (per cent)		
	2002	2001
Discount rate	6.25	7.0
Rate of compensation growth	3.0	3.0

No payments were made during the year pursuant to the defined benefit pension plan.

During the year the Company charged \$2,280,000 to expense in respect of its pension plans (2001 - \$1,898,000).

6. SERIES PREFERRED SHARES*Authorized*

An unlimited number of Series Preferred shares, issuable in series, designated as First Preferred Shares

An unlimited number of Series Preferred shares, issuable in series, designated as Second Preferred Shares

Issued

4% Cumulative Redeemable Convertible Preferred Shares, Series 1

	2002		2001	
	Shares	Amount	Shares	Amount
	333,350	\$ 5,000	333,350	\$5,000

The Company must redeem the Preferred Shares on December 1, 2004 unless the shareholder has previously converted them. The Preferred Shares are not redeemable by the Company before that date. The Preferred Shares are convertible at \$15.00 per share on the business day prior to the date fixed for redemption of such shares into Class A Non-Voting Shares of the Company on the conversion basis of one Class A Non-Voting Share for each Preferred Share.

The Preferred Shares contain both a liability and an equity element and thus the component parts have been classified separately on the balance sheet. The method of allocation of the total principal amount involved first determining the carrying amount of the financial liability component by discounting the stream of future payments of interest and principal at the assumed market interest rate which would have been negotiated had the Preferred Shares not included the conversion feature. The carrying amount of the equity instrument component represented by the option to convert the instrument into Class A Non-Voting Shares of the Company was then determined by deducting the carrying amount of the financial liability, as determined above, from the amount of the compound instrument as a whole.

Preferred Share dividends and the amortization of the Preferred Share discount have been classified as an increase to Interest on long-term debt on the Statement of Earnings and Retained Earnings.

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

Authorized

An unlimited number of Class A Non-Voting Shares

An unlimited number of Class B Common Shares

Issued

	Class A Non-Voting		Class B Common		Total	
	Number of Shares	Consideration	Number of Shares	Consideration	Number of Shares	Consideration
December 31, 2000	8,252,579	\$16,675	828,342	\$1,368	9,080,921	\$18,043
Stock option plans	-	-	-	-	-	-
Purchased	-	-	-	-	-	-
December 31, 2001	8,252,579	16,675	828,342	1,368	9,080,921	18,043
Stock Option Plans	170,000	1,069	-	-	170,000	1,069
Purchased	(101,500)	(209)	-	-	(101,500)	(209)
December 31, 2002	8,321,079	\$17,535	828,342	\$1,368	9,149,421	\$18,903

Each Class B Common Share may be converted into one Class A Non-Voting Share at the shareholder's option. If a takeover bid is made for the Class B Common Shares, holders of Class A Non-Voting Shares are entitled, in certain circumstances, for the duration of the bid, to exchange each Class A Non-Voting Share for one Class B Common Share for the purpose of depositing the resulting Class B Common Shares pursuant to the terms of the takeover bid. The two classes of shares rank equally in all other respects.

On May 1, 2002, the Company commenced a normal course issuer bid for the purchase of up to 5% of the outstanding Class A Non-Voting Shares. In 2002, 101,500 shares were repurchased and cancelled under this plan at a cost of \$1,656,000 of which \$209,000 was charged to share capital and \$1,447,000 to retained earnings. The offer expires on April 30, 2003.

8. EARNINGS PER SHARE AND CASH FLOW PER SHARE

There were 333,350 Convertible Preferred Shares that were not included in the calculation of diluted earnings per share in 2001 as they had an anti-dilutive effect on the calculation in that year.

	2002	2001
Net earnings	\$14,345	\$17,889
Weighted average outstanding shares	9,093,737	9,080,921
Incremental shares	364,176	138,615
Adjustment to earnings for preferred share conversion	200	-
Basic earnings per share (\$)	\$1.58	\$1.97
Diluted earnings per share (\$)	\$1.54	\$1.94
Cash flow from operations	\$27,459	\$26,959
Basic cash flow per share (\$)	\$3.02	\$2.97
Diluted cash flow per share (\$)	\$2.92	\$2.92

9. STOCK BASED COMPENSATION PLANS

At December 31, 2002, the Company had two fixed stock-based compensation plans, which are described below.

The Company's Compensation and Succession Committee, subject to Board approval, may designate directors, officers, employees and other persons providing services to the Company to be offered options to purchase Class A Non-Voting Shares. A maximum of 850,000 Class A Non-Voting Shares have been reserved for issuance pursuant to outstanding options. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the date of grant.

In addition to stock options, share appreciation rights (SARs) may be granted to directors, officers and key employees of the Company. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant. The holder is entitled on exercise to receive a cash payment from the Company equal to any increase in the market price of the Class A Non-Voting Shares over the base value of the SAR exercised. The base value is equal to the closing price of the Class A Non-Voting Shares on the day before the grant.

A summary of the status of the Company's stock based compensation plans as of December 31, 2002 and 2001, and changes during the years ended on those dates is presented below:

	2002		2001	
	Shares	Weighted Average Exercise Price (\$)	Shares	Weighted Average Exercise Price (\$)
Outstanding at beginning of year	510,000	7.88	450,000	7.49
Granted	1,000	16.81	60,000	10.80
Exercised	(395,000)	7.55	-	-
Outstanding at end of year	116,000	9.08	510,000	7.88
Options exercisable at year-end	14,200	6.48	157,000	5.81
Share appreciation rights at year-end	45,000	8.98	270,000	8.59

The following table summarizes information about stock based compensation plans at December 31, 2002:

Nature of Compensation	Exercise Price	Number Outstanding	Remaining Contractual Life (Years)	Number Exercisable
Options	\$4.55	10,000	0.9	10,000
SARs	8.98	45,000	4.0	45,000
Options	7.39	9,000	6.1	-
Options	8.59	14,000	7.0	-
Options	10.80	37,000	8.0	4,000
Options	16.81	1,000	9.6	200

Share appreciation rights expense amounted to \$631,000 (2001 – \$810,000).

10. INCOME TAXES

The income tax provision differs from that which would be computed using the statutory rates. A reconciliation of the differences is as follows:

	2002	2001
Earnings before income taxes	\$23,473	\$30,395
Expected income tax at statutory rate of 39.56% (2001 – 42.62%)	9,286	12,954
Add (Deduct):		
Reduction in future income tax rates	(288)	(602)
Prior year tax recovery	(136)	-
Permanent differences	73	62
Large corporations tax and other	193	92
Income tax provision	\$9,128	\$12,506

The net future tax liability is comprised of the tax effect of the following temporary differences:

	2002	2001
Capital assets	\$27,574	\$17,126
Employee pension and SAR benefits	(2,917)	(4,120)
Other	(119)	(122)
	24,538	12,884
Expected future income tax rate	36.40 %	35.88 %
Future income taxes at expected tax rate	\$8,932	\$4,623

11. RELATED PARTY

The Company is affiliated to the ATCO Group of companies and to Spruce Meadows through its majority shareholder. The accompanying table summarizes transactions and year-end balances with those affiliates. These transactions were made in the normal course of business with regular payment terms and have been recorded at the paid amounts. Each were considered to be at fair market value.

	2002	2001
Revenue	\$ -	\$ -
Purchases	-	6,304
Capital	-	-
Operating	436	121
Year end accounts receivable	-	-
Year end accounts payable	9	84

12. FINANCIAL INSTRUMENTS

The Company's financial assets and liabilities as at December 31, 2002 included cash, accounts receivable, accounts payable, long-term debt and preferred shares. During the year, the Company did not hold or issue any derivative financial instruments. Fair values approximate carrying values unless otherwise stated.

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 satisfy any potential bad debts.

Additionally, the Company's financial instruments include long-term debt that bears interest at 6.24%, which approximates fair value.

13. JOINT VENTURES

The following table summarizes AKITA's share of assets, liabilities, revenues and expenses related to the Company's Joint Venture operations:

	2002	2001
Current assets	\$4,435	\$4,501
Capital assets, net of depreciation	45,200	55,498
Current liabilities	5,894	10,372
Long-term liabilities	9,339	15,999
Revenue	20,450	11,486
Expenses	13,631	7,475
Net earnings	6,819	4,011
Cash flow from operating activities	8,799	4,967
Cash flow from financing activities	7,638	25,873
Cash flow from investing activities	-	(27,704)

14. SIGNIFICANT CUSTOMERS

During 2002, four customers (2001 - two customers) each provided more than 10% of AKITA's total revenue.

15. COMMITMENTS

During 2000 and 2001, the Company entered into long-term contracts with large corporations for which the Company constructed five drilling rigs. Four of these commitments were made by AKITA/EQUAK Drilling Ltd., a joint venture controlled 50% by AKITA, while the fifth commitment was made by the Company directly. The rig use contracts will expire in 2004 – 2006.

The Company leases its office space at an annual cost of approximately \$184,000 per year. Lease expiry will occur in 2005.

FINANCIAL REVIEW FROM THE COMMENCEMENT OF OPERATIONS

(Dollars in thousands, except per share and per operating day)

	Annual Ranking	2002	2001	2000	1999
Summary of Operations					
Revenue	2	\$ 102,895	\$ 110,844	\$ 88,441	\$ 61,316
Earnings before income taxes	2	\$ 23,473	\$ 30,395	\$ 19,792	\$ 9,194
Income taxes	3	\$ 9,128	\$ 12,506	\$ 8,635	\$ 3,983
Net earnings	2	\$ 14,345	\$ 17,889	\$ 11,157	\$ 5,211
As a percentage of average shareholders' equity	8	16.7%	24.5%	18.0%	9.0%
Earnings per Class A and Class B share	2	\$ 1.58	\$ 1.97	\$ 1.23	\$ 0.56
Cash flow from operations	1	\$ 27,459	\$ 26,959	\$ 17,110	\$ 10,894
As a percentage of average shareholders' equity	5	32.0%	38.9%	27.6%	18.5%
Cash flow per Class A and Class B share	1	\$ 3.02	\$ 2.97	\$ 1.88	\$ 1.15
Financial position at year end					
Working capital	4	\$ 26,551	\$ 19,823	\$ 17,227	\$ 30,368
Current ratio	5	2.52:1	1.77:1	2.07:1	3.67:1
Total assets	2	\$ 133,901	\$ 145,859	\$ 85,529	\$ 73,463
Shareholders' equity per share	1	\$ 90,947	\$ 80,472	\$ 65,624	\$ 58,170
	1	\$ 9.94	\$ 8.84	\$ 7.23	\$ 6.35
Other					
Capital expenditures (Net)	10	\$ (2,061)	\$ 54,319	\$ 26,548	\$ 7,670
Depreciation	1	\$ 8,819	\$ 7,763	\$ 6,551	\$ 5,627

	1998	1997	1996	1995	1994	1993
	\$ 75,463	\$ 89,100	\$ 63,340	\$ 57,429	\$ 61,498	\$ 44,142
	\$ 19,762	\$ 21,421	\$ 12,841	\$ 11,200	\$ 12,401	\$ 4,751
	\$ 6,855	\$ 10,058	\$ 5,728	\$ 5,147	\$ 5,377	\$ 2,166
	\$ 12,907	\$ 11,363	\$ 7,113	\$ 6,053	\$ 7,024	\$ 2,585
	24.0%	25.5%	19.3%	19.8%	29.1%	15.5%
	\$ 1.36	\$ 1.20	\$ 0.77	\$ 0.66	\$ 0.77	\$ 0.32
	\$ 17,914	\$ 15,467	\$ 9,713	\$ 8,475	\$ 9,184	\$ 4,458
	33.3%	34.7%	26.3%	27.8%	38.1%	26.8%
	\$ 1.89	\$ 1.63	\$ 1.05	\$ 0.93	\$ 1.01	\$ 0.55
	\$ 30,481	\$ 23,883	\$ 26,844	\$ 20,932	\$ 16,351	\$ 10,675
	4.16:1	2.04:1	3.47:1	3.28:1	2.29:1	2.38:1
	\$ 70,032	\$ 73,947	\$ 53,603	\$ 44,610	\$ 41,999	\$ 29,937
	\$ 58,190	\$ 48,767	\$ 40,460	\$ 33,388	\$ 27,574	\$ 20,650
	\$ 6.13	\$ 5.13	\$ 4.27	\$ 3.66	\$ 3.03	\$ 2.27
	\$ 7,832	\$ 15,372	\$ 3,760	\$ 3,655	\$ 3,408	\$ 1,737
	\$ 5,022	\$ 4,247	\$ 2,547	\$ 2,206	\$ 1,986	\$ 1,254

DIRECTORS

William L. Britton, Q.C.
Deputy Chairman of the Board
of the Corporation
Vice-Chairman and Lead Director,
ATCO Ltd. and Canadian Utilities Limited
Partner, Bennett Jones LLP.
Calgary, Alberta

Linda A. Heathcott
Executive Vice President,
Spruce Meadows
President,
Team Spruce Meadows Inc.
Calgary, Alberta

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

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

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

Charles W. Wilson
Corporate Director
Evergreen, Colorado

OFFICERS

John B. Hlavka
President and
Chief Executive Officer

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

Craig W. Kushner
Corporate Secretary and
Human Resources Administrator

Murray J. Roth
Vice President Finance

Karl A. Ruud
Executive Vice President and
Chief Operating Officer

HEAD OFFICE

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1-800-387-0825

SHARE SYMBOL/TSE

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Class B Common (AKT.B)

WEBSITE

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AKITA'S NORTHERN JOINT VENTURES:

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AKITA / SAHCHO
AKITA / SAHTU
AKITA / KASKA