Management's Discussion and Analysis

Management's discussion and analysis ("MD&A") for AKITA Drilling Ltd. and its subsidiaries (collectively referred to as "AKITA" or the "Company") should be read in conjunction with the unaudited interim condensed consolidated financial statements ("interim financial statements") for the three and six months ended June 30, 2024, and the audited consolidated financial statements and MD&A for the year ended December 31, 2023.

References made to 2023 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 25, 2024, and incorporates all relevant considerations to that date.

Management has prepared this MD&A as well as the accompanying interim financial statements and notes thereto. All financial information is presented in Canadian Dollars ("CAD").

Introduction

AKITA is a premier Canadian oil and gas drilling contractor with a fleet of 32 drilling rigs. AKITA provides contract drilling services through two geographical segments: Canada and the United States ("US"). AKITA's US fleet is supported out of its operations base in Midland, Texas and is comprised of 13 high specification AC triple rigs, one high specification AC double rig and one DC triple rig, all serving the Permian Basin, which is the most active basin in the US and is currently supporting approximately half of all US land drilling. While the US fleet primarily targets oil wells in the Permian, saltwater disposal wells are a secondary market that our fleet has proven to be well equipped for.

With a fleet of 17 rigs, AKITA's Canadian division operates in Alberta, British Columbia, Saskatchewan, and as market conditions dictate, the Yukon and the Northwest Territories. The Canadian division operates both wholly-owned rigs and rigs that are partially owned by AKITA and First Nations, Métis or Inuvialuit joint venture partners including Akita Mistiyapew Aski Drilling Ltd., a joint venture between AKITA and Saulteau First Nations, Akita Equtak Drilling Ltd., a joint venture between AKITA and the Inuvialuit Development Corporation, and Akita Wood Buffalo Drilling Ltd., a joint venture between AKITA and Chipewyan Prairie First Nation, Fort McMurray 468 First Nation, Fort McKay Métis Nation, Fort Chipewyan Métis Local 125, and Conklin Métis Local 193. Together AKITA's First Nation, Métis and Inuvialuit joint venture partners hold equity interests in six of AKITA's Canadian drilling rigs. AKITA's Canadian division primarily operates in the oil sands, heavy oil regions and in the Montney deep gas basin. In addition, the Canadian division is active in drilling for potash as well as drilling energy transition targets, including carbon capture wells, hydrogen storage wells and geothermal wells.

In both Canada and the US, AKITA strives to ensure it is well positioned to meet the demanding requirements of global operators while remaining flexible enough to tailor its services to customized operator requests. Fostered over three decades of operation, AKITA has established a leading safety culture and is committed to coaching and mentoring its personnel to ensure they develop as future leaders and ambassadors for the Company. AKITA is extremely proud of the First Nation, Métis and Inuvialuit joint venture relationships it has forged in Canada, which help to ensure such communities benefit from resource development AKITA is involved in proximate to their traditional lands.

Financial Highlights

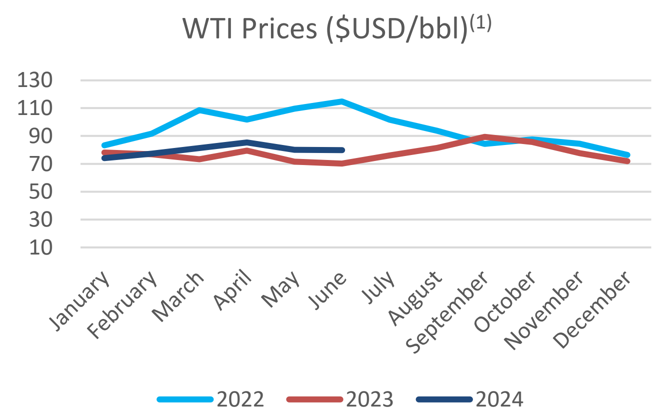
	For the three months ended June 30,				For the six months ended June 30,			
$Thousands except per share amounts	2024	2023	Change	% Change	2024	2023	Change	% Change
Revenue	38,336	58,349	(20,013)	(34%)	84,641	123,349	(38,708)	(31%)
Operating and maintenance expenses	29,806	41,988	(12,182)	(29%)	63,317	87,414	(24,097)	(28%)
Operating margin	8,530	16,361	(7,831)	(48%)	21,324	35,935	(14,611)	(41%)
Margin %	22%	28%	(6%)	(21%)	25%	29%	(4%)	(14%)
Net cash from operating activities	10,913	16,150	(5,237)	(32%)	17,861	15,736	2,125	14%
Adjusted funds flow from operations(1)	6,387	12,620	(6,233)	(49%)	17,647	27,779	(10,132)	(36%)
Per share	0.16	0.32	(0.16)	(50%)	0.44	0.70	(0.26)	(37%)
Net income (loss)	(478)	6,177	(6,655)	(108%)	2,149	15,699	(13,550)	(86%)
Per share	(0.01)	0.16	(0.17)	(106%)	0.05	0.40	(0.35)	(88%)
Capital expenditures	7,126	4,700	2,426	52%	11,061	7,204	3,857	54%
Weighted average shares outstanding	39,734	39,650	84	0%	39,725	39,650	75	0%
Total assets	242,353	266,330	(23,977)	(9%)	242,353	266,330	(23,977)	(9%)
Total debt	52,404	79,670	(27,266)	(34%)	52,404	79,670	(27,266)	(34%)

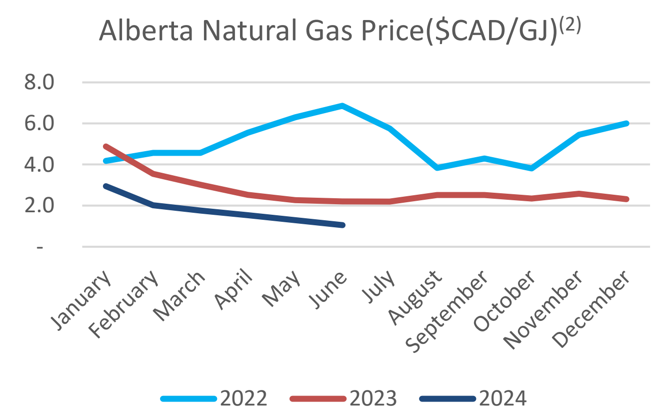
(1) See "Non-GAAP and Supplementary Financial Measures" near the end of this MD&A for further detail.

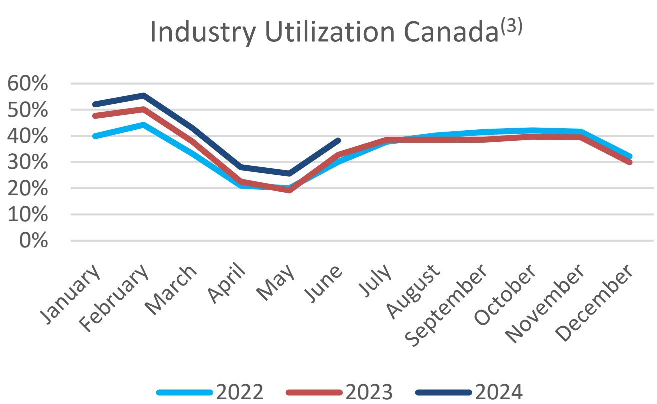
General Overview

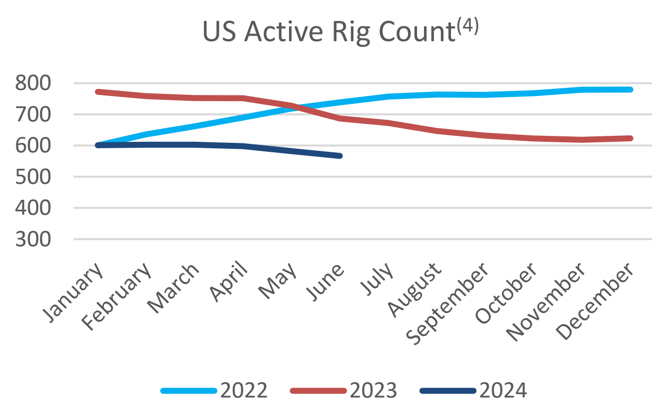
The Company's net income decreased to a loss of $478,000 in the second quarter of 2024 from earnings of $6,177,000 in the second quarter of 2023. This decrease was due primarily to activity decreasing in the US from the second quarter of 2023 to the second quarter of 2024, which resulted in a 54% decrease in adjusted operating margin in the US. This decrease was partially offset by an increase in the adjusted operating margin in Canada, which increased by 19%. Net cash from operations decreased to $10,913,000 for the three months ended June 30, 2024, compared to $16,150,000 in the same period of 2023, due to the reduction in net income in the quarter. Funds flow from operations, which is not affected by changes in non-cash working capital, decreased by 49% due to the weaker results in the US. Capital expenditures increased to $7,126,000 in the second quarter of 2024, from $4,700,000 in the second quarter of 2023. In both quarters capital expenditures related to routine items. In the second quarter of 2024 the Company repaid $17,000,000 in debt reducing the debt balance to $52,404,000 at the end of the second quarter of 2024 from $79,670,000 at June 30, 2023.

Industry Overview









(1) Source: U.S. Energy Information Administration
(2) Source: Natural Gas Exchange
(3) Source: Canadian Association of Energy Contractors (“CAOEC”)
(4) Source: Baker Hughes North American Rotary Rig Count

Oil and gas drilling activity is cyclical and is affected by numerous factors, most importantly world crude oil prices, North American natural gas prices and increasingly international LNG (liquified natural gas) pricing. West Texas Intermediate ("WTI") crude oil prices have increased in the first half of 2024, which should be a positive sign for the drilling industry. Natural gas prices have been moving in the opposite direction to crude oil prices however, and have steadily declined through the year.

In the US, despite increasing WTI prices, the total active rig count, which remained flat for the first quarter of 2024, has declined by 46 rigs to 567 active rigs in June of 2024 compared to 665 in June of 2023. Continued low North American natural gas prices and high natural gas storage levels, which are 19% above the five year average[1], are holding the active rig count at the current levels. Also contributing to the low active rig count in the US is the current pace of mergers and acquisitions in large US oil and gas companies, which are growing through consolidation as opposed to growth through increased drilling activity. The excess idle drilling rigs in the industry are having a negative effect on day rates which have been under pressure since the rig count began falling in 2023.

In Canada, industry activity has outpaced the prior year throughout the first half of 2024. With the Trans Mountain Pipeline expansion commencing commercial operations in the second quarter of 2024, increasing the egress of Canadian crude oil and the anticipated completion of LNG Canada's export facility in 2025, in conjunction with the completions of the Coastal GasLink, demand for drilling services in both oil and natural gas has strengthened in Canada.

[1] Source U.S. Energy Information Administration

Results by Geographic Segment

Canada

$Thousands except per day amounts	For the three months ended June 30, 2024	2023	Change	% Change	For the six months ended June 30, 2024	2023	Change	% Change
Revenue Canada	9,820	9,706	114	1%	25,369	29,133	(3,764)	(13%)
Revenue from joint venture drilling rigs	9,631	9,161	470	5%	22,148	16,943	5,205	31%
Flow through charges[1]	(1,055)	(1,180)	125	11%	(1,684)	(2,009)	325	16%
Adjusted revenue Canada[1]	18,396	17,687	709	4%	45,833	44,067	1,766	4%
Operating and maintenance expenses Canada	8,166	8,323	(157)	(2%)	18,479	22,395	(3,916)	(17%)
Operating and maintenance expenses from joint venture drilling rigs	6,907	6,880	27	0%	15,261	12,374	2,887	23%
Flow through charges[1]	(1,055)	(1,180)	125	11%	(1,684)	(2,009)	325	16%
Adjusted operating and maintenance expenses Canada[1]	14,018	14,023	(5)	(0%)	32,056	32,760	(704)	(2%)
Adjusted operating margin Canada[1]	4,378	3,664	714	19%	13,777	11,307	2,470	22%
Margin %[1]	24%	21%	3%	14%	30%	26%	4%	15%
Operating days	473	471	2	0%	1,122	1,191	(69)	(6%)
Adjusted revenue per operating day[1]	38,892	37,552	1,340	4%	40,849	37,000	3,849	10%
Adjusted operating and maintenance expenses per operating day[1]	29,636	29,773	(137)	(0%)	28,570	27,506	1,064	4%
Adjusted operating margin per operating day[1]	9,256	7,779	1,477	19%	12,279	9,494	2,785	29%
Utilization[1]	31%	26%	5%	19%	36%	33%	3%	9%
Rig count	17	20	(3)	(15%)	17	20	(3)	(15%)

[1] See "Non-GAAP and Supplementary Financial Measures" near the end of this MD&A for further detail.

Second Quarter

During the second quarter of 2024, AKITA's adjusted operating margin improved to $4,378,000 compared to $3,664,000 in the same quarter of 2023. This increase was driven by higher average day rates in the quarter with higher margin rigs achieving more operating days as well as higher day rates across the fleet. AKITA's utilization over the second quarter of 2024 was 31% comparable to the industry average over the same period.

Adjusted revenue in Canada increased to $18,396,000 in the second quarter of 2024 from $17,687,000 in the second quarter of 2023 despite comparable operating days between the two quarters. Revenue per day increased to $38,892 in the second quarter of 2024 from $37,552 in the same period of 2023. Improved day rates are the key driver of the increased revenue.

Higher revenue in the quarter was not offset by higher adjusted operating and maintenance expenses which remained relatively flat quarter over quarter with $14,018,000 in the second quarter of 2024 compared to $14,023,000 in the second quarter of 2023. Increased revenue and flat costs resulted in a 19% increase in the Canadian divisions adjusted operating margin.

Year-to-Date

During the first six months of 2024, adjusted revenue in Canada increased to $45,833,000 from $44,067,000 over the first six months of 2023, a 4% increase due to contract cancellation revenue of $1,500,000 received in the first quarter of 2024. Modest day rate increases were secured throughout the second half of 2023 and had an impact on overall profitability in Canada.

Adjusted operating and maintenance costs per operating day increased to $28,570 in the first half of 2024 from $27,506 in the same period of 2023 due to higher costs in the first quarter of 2024 with January rig activations.

The Company’s rig count in Canada decreased to 17 rigs during the first half of 2024 as the Company delisted three rigs that would require significant capital to bring the rigs up to current market standards.

United States

$ Thousands except per day amounts	For the three months ended June 30, 2024	2023	Change	% Change	For the six months ended June 30, 2024	2023	Change	% Change
Revenue US	28,516	48,643	(20,127)	(41%)	59,272	94,216	(34,944)	(37%)
Flow through charges[1]	(3,583)	(4,499)	916	20%	(7,342)	(9,073)	1,731	19%
Adjusted revenue US[1]	24,933	44,144	(19,211)	(44%)	51,930	85,143	(33,213)	(39%)
Operating and maintenance expenses US	21,640	33,664	(12,024)	(36%)	44,837	65,019	(20,182)	(31%)
Flow through charges[1]	(3,583)	(4,499)	916	20%	(7,342)	(9,073)	1,731	19%
Adjusted operating and maintenance expenses US[1]	18,057	29,165	(11,108)	(38%)	37,495	55,946	(18,451)	(33%)
Adjusted operating margin US[1]	6,876	14,979	(8,103)	(54%)	14,435	29,197	(14,762)	(51%)
Margin %[1]	28%	34%	(6%)	(18%)	28%	34%	(6%)	(18%)
Operating days	623	1,090	(467)	(43%)	1,342	2,133	(791)	(37%)
Adjusted revenue per operating day[1]	40,021	40,499	(478)	(1%)	38,696	39,917	(1,221)	(3%)
Adjusted operating and maintenance expenses per operating day[1]	28,984	26,757	2,227	8%	27,940	26,229	1,711	7%
Adjusted operating margin per operating day[1]	11,037	13,742	(2,705)	(20%)	10,756	13,688	(2,932)	(21%)
Utilization[1]	46%	80%	(34%)	(43%)	49%	79%	(30%)	(38%)
Rig count	15	15	-	0%	15	15	-	0%

[1] See "Non-GAAP and Supplementary Financial Measures" near the end of this MD&A for further detail.

Second Quarter

The decrease in the active rig count in the US continued to impact the Company in the second quarter of 2024. Activity decreased to 623 operating days in the second quarter of 2024, from 1,090 operating days in the second quarter of 2023. This decrease in activity also impacted the Company's day rates as the pricing pressure affecting the industry also affected AKITA.

Adjusted operating margin decreased to $6,876,000 in the second quarter of 2024 from $14,979,000 in the same period of 2023. The primary cause of this decrease was the reduction in activity between the two quarters, with AKITA's active rig count falling to an average of 8 rigs in the second quarter of 2024 from 14 rigs in the second quarter of 2023. The Company's 43% decrease in active rigs between the second quarter of 2023 and the second quarter of 2024 was more pronounced than the 27% decrease in the industry average rig count for the same period, however the industry rig count began to decline starting in first quarter of 2023, while AKITA did not begin to see a decline until the third quarter of 2023. Also contributing to the decrease in adjusted operating margin was an increase in adjusted operating and maintenance expenses per operating day which increased 8%, as well as a 1% decrease in adjusted revenue per operating day.

Adjusted operating and maintenance expense per operating day increased to $28,948 per day in the second quarter of 2024 from $26,757 in the second quarter of 2023. In the second quarter of 2023 the Company received $2,000,000 in Employee Retention Credits ("ERC") from the IRS, which reduced operating and maintenance costs. Adjusting for the ERC payment, operating and maintenance costs per operating day only increased 1% quarter over quarter despite increasing costs throughout the industry.

There was no change to the Company's US rig count during the second half of 2024, which stayed constant at 15 rigs.

Year-to-Date

During the first six months of 2024, adjusted operating margin decreased to $14,435,000 from $29,197,000 in the same period in 2023. This is attributable to lower activity in the first half of 2024 with 1,342 operating days compared to 2,133 operating days in the first half of 2023. Adjusted revenue per operating day decreased by 3% between the two periods, with the pricing pressure in the industry affecting rates. The $4,000,000 in ERC payments received in the first half of 2023 increased the 2023 operating margin. Adjusting for the ERC payments received, adjusted operating and maintenance expenses per operating day decreased 1% in the first half of 2024 compared to the first half of 2023.

Seasonality

The Canadian drilling industry is seasonal with activity typically building in the fall as the ground freezes and peaking during the winter months. Northern transportation routes become available once areas with muskeg conditions freeze to allow the movement of drilling rigs and other heavy equipment. The peak Canadian drilling season ends with "spring break-up" at which time drilling operations are curtailed due to seasonal road bans (temporary prohibitions on road use) and restricted access to agricultural land as frozen ground thaws. The summer drilling season begins when road bans are lifted, typically later in June or early July. Some areas are subject to environmental orders for specific well leases which can prevent drilling activity during certain periods when authorities prioritize wildlife or habitat protections. Such restrictions may affect activity levels and operating results. While seasonality can affect all rig classes, pad drilling rigs are generally less susceptible to seasonality than conventional drilling rigs since pad rigs can be situated on a pad just before the start of spring break up with the ability to drill several wells before a rig move on restricted roads would be necessary.

The Permian Basin, where AKITA primarily conducts its US drilling operations, is infrequently subject to weather constraints, but may experience operational restrictions for other reasons.

Depreciation and Amortization Expense

	For the three months ended June 30,				For the six months ended June 30,			
$Millions	2024	2023	Change	% Change	2024	2023	Change	% Change
Depreciation and amortization expense	6.8	7.1	(0.3)	(4%)	14.7	14.1	0.6	4%

Depreciation and amortization expense decreased to $6,784,000 during the second quarter of 2024 from $7,076,000 during the corresponding period in 2023, due to a change in the estimated useful life of certain rig assets that are lasting longer than in the past.

AKITA depreciates its drilling rig assets on a straight-line basis where the estimated useful lives and residual values of various rig components have been chosen to match the expected life of that component. In the first half of 2024 and 2023, drilling rig depreciation accounted for 98% of total depreciation expense.

While AKITA conducts some of its drilling operations via joint ventures, the drilling rigs used to conduct those activities are owned jointly by AKITA and its joint venture partners, and not by the joint ventures themselves. As the joint ventures do not hold any property, plant, or equipment ("PP&E") assets directly, the Company's depreciation expense includes depreciation of assets involved in both wholly-owned and joint venture activities.

Selling and Administrative Expenses

	For the three months ended June 30,				For the six months ended June 30,			
$Millions	2024	2023	Change	% Change	2024	2023	Change	% Change
Selling and administrative expenses	3.6	4.4	(0.8)	(18%)	8.2	9.1	(0.9)	(10%)

Selling and administrative expenses decreased to $3,627,000 in the second quarter of 2024 (9% of revenue) from $4,419,000 (8% of revenue) in the second quarter of 2023. The decrease in selling and administrative expenses in the second quarter of 2024 compared to 2023 was due to cost reduction strategies impacting all aspects of selling and administrative expenses in the quarter.

In the first six months of 2024, selling and administrative costs decreased to $8,244,000 from $9,089,000 during the same period in 2023 of which, salaries and benefits accounted for 46% (2023 - 42%).

Asset Impairment Loss

The Company did not identify any changes in the indicators of asset impairment or any new indicators of asset impairment during the first half of 2024. Therefore, no further assessment on asset impairment was performed as there have been no changes in circumstances that indicate that the carrying amount of PP&E does not exceed its recoverable amount as at June 30, 2024.

Equity Income from Joint Ventures

	For the three months ended June 30,				For the six months ended June 30,			
$Millions	2024	2023	Change	% Change	2024	2023	Change	% Change
Proportionate share of revenue from joint ventures	9.6	9.2	0.4	4%	22.1	16.9	5.2	31%
Proportionate share of operating & maintenance expenses from joint ventures	6.9	6.9	-	0%	15.2	12.4	2.8	23%
Proportionate share of selling and administrative expenses from joint ventures	0.1	0.1	-	0%	0.2	0.2	-	0%
Equity income from joint ventures	2.6	2.2	0.4	18%	6.7	4.3	2.4	56%

The Company provides the same drilling services and utilizes the same management and financial and reporting controls for its joint venture activities as are in place for its wholly-owned operations. The increase in equity income for the Company's proportionate share of joint ventures is related to the increased activity for the Company's joint venture rigs in the first half of 2024 compared to the first half of 2023, as well as improved day rates between the two periods.

Other Income (Loss)

	For the three months ended June 30,				For the six months ended June 30,			
$Millions	2024	2023	Change	% Change	2024	2023	Change	% Change
Interest income	0.1	0.1	-	0%	0.2	0.2	-	0%
Interest expense	(1.2)	(1.6)	0.4	25%	(2.5)	(3.8)	1.3	34%
Gain (loss) on risk management contracts	(0.1)	0.2	(0.3)	(150%)	0.2	(0.1)	0.3	300%
Gain on sale of assets	-	-	-	n/a	-	1.6	(1.6)	(100%)
Net other gains	-	-	-	n/a	0.1	0.2	(0.1)	(50%)
Total other loss	(1.2)	(1.3)	0.1	8%	(2.0)	(1.9)	(0.1)	(5%)

In the first six months of 2024, the Company recorded interest expense of $2,483,000, down from $3,815,000 in the same period of 2023. This decrease is due to decreased average debt balances between the two periods which averaged $75,000,000 in the second quarter of 2023 and $61,500,000 in the second quarter of 2024. The average interest rate on the Company's facility was 7.54% for the first six months of 2024 and 8.37% over the first six months of 2023.

The Company is exposed to changes in interest rates on borrowings under its operating loan facility which is subject to floating interest rates. To mitigate this risk the Company has entered into an interest rate swap with its principal banker. The term of the interest rate swap is June 15, 2022 to June 15, 2026 and the notional amount of the swap is $50,000,000. The fixed rate is 3.94% while the floating rate is indexed to the Canadian Overnight Repo Rate Average ("CORRA"). At period end the interest rate swap is valued at fair value with any unrealized gain (loss) recorded as other income (loss) on the consolidated statement of net income. At June 30, 2024 the Company recorded an unrealized gain of $203,000 (2023 - loss of $56,000) for the first half of the year.

During the first half of 2024, the Company sold spare equipment for a gain of $37,000 and proceeds of $37,000. During the same period of 2023, the Company sold certain components, including the centre section of an idle rig in the US, for proceeds of $2,077,000 and a gain on disposal of $1,600,000.

During the first half of 2024, the Company realized a gain of $49,000 on the sale of fully depreciated assets (2023 – $229,000).

Income Tax Expense

	For the three months ended June 30,				For the six months ended June 30,			
$Millions	2024	2023	Change	% Change	2024	2023	Change	% Change
Current tax recovery	-	-	-	n/a	-	-	-	n/a
Deferred tax expense (recovery)	-	(0.4)	0.4	100%	0.9	(0.5)	1.4	280%
Total income tax expense (recovery)	-	(0.4)	0.4	100%	0.9	(0.5)	1.4	280%

The Company recorded a deferred tax expense of $919,000 in the first half of 2024, compared to a deferred tax recovery of $526,000 in the corresponding period in 2023. As the Company's taxable income in Canada increases, it utilizes its future tax losses, thereby generating a deferred tax expense. The Company's effective tax rate changed slightly quarter over quarter increasing to 24% in the first half of 2024 compared to 23.6% in the same period of 2023 due to a shift in the revenue between provinces. Refer to the Company's 2023 Annual Report for additional tax disclosures. The Company currently has significant tax losses available in both Canada and the United States.

Net Income (Loss), Net Cash and Adjusted Funds Flow

	For the three months ended June 30,				For the six months ended June 30,			
$Millions	2024	2023	Change	% Change	2024	2023	Change	% Change
Net income (loss)	(0.5)	6.2	(6.7)	(108%)	2.1	15.7	(13.6)	(87%)
Net cash from operating activities	10.9	16.1	(5.2)	(32%)	17.9	15.7	2.2	14%
Adjusted funds flow from operations(1)	6.4	12.6	(6.2)	(49%)	17.6	27.8	(10.2)	(37%)

(1) See "Non-GAAP and Supplementary Financial Measures" near the end of this MD&A for further detail.

The Company generated a net loss of $478,000 ($0.01 per Class A Non-Voting and Class B Common share, basic and diluted) for the second quarter of 2024, compared to net income of $6,177,000 ($0.16 per Class A Non-Voting and Class B Common share, basic and $0.15 diluted) for the second quarter of 2023. Adjusted funds flow from operations decreased to $6,387,000 in the second quarter of 2024, from $12,620,000 during the corresponding quarter in 2023. Lower activity in the US division was the key driver for the lower results in the second quarter of 2024 compared to the second quarter of 2023 partially offset by higher adjusted operating margin in the Company's Canadian division.

The Company generated net income of $2,149,000 ($0.05 per Class A Non-Voting and Class B Common share, basic and diluted) for the first six months of 2024 compared to a net income of $15,699,000 ($0.40 per Class A Non-Voting and Class B Common share, basic and $0.39 diluted) in the corresponding period of 2023. Adjusted funds flow from operations decreased to $17,647,000 during the first six months of 2024 from $27,779,000 in the corresponding period in 2023. The reasons for the decreased results in the first half of 2024 were the same as those in the second quarter of 2024.

Summary of Quarterly Results

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

$Thousands, except per share (Unaudited)	Three Months Ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
2024				
Revenue	46,304	38,336		
Net income (loss)	2,627	(478)		
Income (loss) per share (basic and diluted) ($)	0.07	(0.01)		
Adjusted funds flow from operations[1]	11,260	6,387		
Cash flow from operations	6,948	10,913		
Capital expenditures	3,935	7,126		
2023				
Revenue	65,000	58,349	54,813	47,317
Net income (loss)	9,523	6,177	3,880	(1,165)
Income (loss) per share (basic and diluted) ($)	0.24	0.16	0.10	(0.04)
Adjusted funds flow from operations[1]	15,159	12,620	10,566	7,177
Cash flow from (used in) operations	(414)	16,150	2,308	17,523
Capital expenditures	2,504	4,700	4,566	12,822
2022				
Revenue	44,986	42,960	53,526	59,524
Net income (loss)	(2,933)	(4,252)	2,660	8,813
Income (loss) per share (basic and diluted) ($)	(0.07)	(0.11)	0.07	0.22
Adjusted funds flow from operations[1]	4,996	4,716	8,957	16,144
Cash flow from operations	247	6,189	3,727	8,035
Capital expenditures	6,412	3,633	3,020	4,917

[1] See "Non-GAAP and Supplementary Financial Measures" near the end of this MD&A for further detail.

Key trends over the past ten quarters, after giving consideration to the seasonal nature of AKITA's operations, are as follows:

- The impact of the significant improvement in the profitability of the US operating segment can be seen in the third and fourth quarters of 2022 and the first quarter of 2023, comparing those quarters to any other;
- Revenue in the first quarter of 2022 was split relatively equally between Canada and the United States. The majority of revenue shifted back to the US in the fourth quarter of 2022 and returned to an even split in the first quarter of 2024;
- Decreased demand in the US market for drilling services significantly impacted the Company's results in the fourth quarter of 2023 and first half of 2024; and

- The seasonal nature of the Canadian operations can be seen in the cash from operations balances peaking in the second quarter of each year.

Liquidity and Capital Resources

Cash used for capital expenditures totalled $11,061,000 in the first six months of 2024 compared to $7,204,000 over the same period in 2023. Year-to-date capital spending in both 2024 and 2023 related to routine capital items such as level IV inspections, recertifications and drill pipe.

At June 30, 2024, AKITA's Statements of Financial Position included working capital (current assets minus current liabilities) of $15,783,000 compared to $37,560,000 at June 30, 2023, and $27,130,000 at December 31, 2023. Readers should be aware of the seasonal nature of AKITA's Canadian operations and its effect on non-cash working capital balances. Typically, non-cash working capital balances reach annual maximum levels at the end of the first quarter or during the second quarter as a result of spring break-up. Working capital at June 30, 2024 decreased significantly compared to June 30, 2023, due to lower accounts receivable balances resulting from lower activity in the US division. The Company had non-cash working capital of $10,936,000 at June 30, 2024, compared to non-cash working capital of $15,943,000 at December 31, 2023.

The Company has a syndicated credit agreement with the Company's principal banker as the agent on the syndication along with three other Canadian banks. The operating loan facility totals $110,000,000. The credit facility expires in September of 2026. The interest rate ranges from 175 to 300 basis points over prime interest rates depending on the Funded Debt[(1)] to EBITDA[(1)] Ratio. Security for this facility includes all present and after-acquired personal property and a first floating charge over all other present and after-acquired property including real property. The financial covenants are:

1. The Funded Debt[(1)] to EBITDA[(1)] Ratio: the Company shall ensure that the Funded Debt[(1)] to EBITDA[(1)] Ratio shall not be more than 3.00:1.00.
   The Funded Debt[(1)] to EBITDA[(1)] Ratio shall be calculated quarterly on the last day of each Fiscal Quarter on a rolling four quarter basis;

2. The EBITDA[(1)] to Interest Expense[(1)] Ratio: the Company shall ensure that the EBITDA[(1)] to Interest Expense[(1)] Ratio shall not be less than 3.00:1.00.
   The EBITDA[(1)] to Interest Expense[(1)] Ratio shall be calculated quarterly on the last day of each Fiscal Quarter on a rolling four quarter basis.

(1) See "Non-GAAP and Supplementary Financial Measures" near the end of this MD&A for further detail.

At June 30, 2024, the Company was in compliance with its covenants with a Funded Debt[(1)] to EBITDA[(1)] Ratio of 1.28:1.00, and EBITDA[(1)] to Inte[1]rest Expense[(1)] Ratio of 7.35:1.00.

The facility also includes a borrowing base calculation which is the sum of:

(i) 75% of Eligible Accounts Receivable[(1)]; plus
(ii) 50% of the Orderly Liquidation Value of all Eligible Rig Assets[(1)]; less
(iii) Priority Payables[(1)] of the Loan Parties.

At June 30, 2024, the Company's borrowing base totalled $126,117,000.

The credit facility includes a $10,000,000 operating line of credit that is classified as current, given that the Company expects to settle the balance within a normal operating cycle. The maturity date aligns with the total credit facility. At June 30, 2024, the current portion of debt was nil (December 31, 2023 – nil).

The balance outstanding under the credit loan facility, net of unamortized loan fees, is classified as long-term debt as the credit agreement has no required repayment obligations prior to the end of the loan facility term. The Company borrowed $53,000,000 from this facility as at June 30, 2024 (December 31, 2023 - $70,000,000).

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 further growth opportunities.

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

Future Outlook and Strategy

The drilling industry is cyclical, and several key factors influencing AKITA's performance are beyond management's control. Like other drilling contractors, AKITA is affected by fluctuating oil and gas prices and changes in its customers' exploration and development budgets. While the uncertainty regarding activity levels for the rest of the year has lessened in Canada, it persists in the US, where natural gas

[(1)] See "Non-GAAP and Supplementary Financial Measures" near the end of this MD&A for further detail.

prices remain low compared to the last three years and oil prices, despite some recovery, continue to be volatile.

The outlook for AKITA in Canada for the remainder of the year is optimistic, with increasing demand in oil sands drilling and deep natural gas drilling – two key areas of focus for the Company. This trend is expected to lead to a robust second half of the year in Canada. The Company’s capital expenditures are projected to align with the previous year and will include maintenance capital, along with the possibility of upgrading a second oil sands rig for deep gas drilling, similar to an upgrade completed in the fourth quarter of 2023.

In the US, despite ongoing reductions in the active rig count, the outlook for AKITA in the second half of the year is positive. The Company expects its active rig count in the US to start improving in the third quarter and continue into the fourth quarter. Ongoing investments in Permian natural gas takeaway capacity is likely to boost future drilling activity, along with the continued decline in drilled but uncompleted wells. This should lead to increased long-term demand in the Permian basin, benefiting AKITA.

For the balance of 2024, the Company's primary focus remains on repaying debt.

Significant Accounting Estimates and Judgments

The preparation of the accompanying interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements, as well as the reported amounts for revenue and expenses during the period. Estimates and judgments are continually evaluated and are based upon historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Actual outcomes could differ materially from these estimates.

Impairment of Assets

At each reporting date, the Company assesses whether there are indicators of asset impairment. If such indicators exist, the Company performs an asset impairment test and, if required, the Company recognizes an asset impairment loss, calculated as the lesser of the difference between the amortized cost of the asset and the present value of the estimated future cash flows or the recoverable amount. The carrying amount of the asset is reduced by the asset impairment loss. Please refer to the “Asset Impairment Loss” section for further information.

AKITA’s asset impairment estimates do not have any effect on the changes to the financial condition for the Company, as any asset write-down is a non-cash item. However, total assets and results of operations, including net income, could be overstated as a result of projections of discounted future cash flows that are too high.

Useful Lives of Drilling Rigs

Management makes significant estimates related to the useful lives of drilling rigs. Depreciation methods and rates have been selected so as to amortize the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

Defined Benefit Pension Liability

A significant estimate used in the preparation of AKITA's interim financial statements relates to the measurement of the non-current defined benefit pension liability for certain retired employees that was recorded as $4,031,000 at June 30, 2024 (June 30, 2023 - $3,912,000). AKITA utilizes the services of a third party to assist in the actuarial estimate of the Company's pension expense and liability. For 2024, a key assumption is the 4.6% discount rate (2023 – 5.1%).

Deferred Income Taxes

The Company makes assumptions related to the measurement of deferred income taxes, including future tax rates, timing of reversals of timing differences and the anticipated tax rules that will be in place when timing differences reverse. Consequently, total liabilities of the Company, as well as results of operations including net income, could be either understated or overstated.

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	
$Thousands, except share amounts	Number of shares	Consideration	Number of shares	Consideration	Number of shares	Consideration
December 31, 2023	38,056,407	$ 144,982	1,653,784	$ 1,366	39,710,191	$ 146,348
Shares issued	24,000	17	-	-	24,000	17
June 30, 2024	38,080,407	$ 144,999	1,653,784	$ 1,366	39,734,191	$146,365

At July 25, 2024, the Company had 38,080,407 Class A Non-Voting shares and 1,653,784 Class B Common shares outstanding. At that date, there were also 1,853,500 stock options outstanding, of which 1,097,500 were exercisable.

Non-GAAP and Supplementary Financial Measures

Non-GAAP Financial Measures

Adjusted Revenue and Adjusted Operating and Maintenance Expenses

Revenue and operating and maintenance expenses in AKITA's Canadian operating segment include revenue and expenses from AKITA's wholly-owned drilling rigs as well as its share of joint venture revenue and expenses.

Excluded from the revenue and expenses in AKITA's Canadian and US operating segment are flow through charges that are billed to operators and repaid to the Company. The volume and timing of the flow through charges can artificially impact the operational per day analysis and as a result management and certain investors may find the comparability between periods is improved when these flow through charges are excluded from revenue per day and operating and maintenance expense per day. The flow through charges do not have any impact on the Company's net earnings as the amounts offset each other.

Adjusted Funds Flow from Operations

Adjusted funds flow from operations is not a recognized GAAP measure under IFRS and users of this MD&A should note that AKITA's method of determining adjusted funds flow from operations may differ from methods used by other companies, and includes cash flow from operating activities before working capital changes, equity income from joint ventures, and income tax amounts paid or recovered during the period. Nonetheless, management and certain investors may find adjusted 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.

$Thousands	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Net cash from operating activities	10,913	16,150	17,861	15,736
Interest paid	1,175	1,531	2,385	3,709
Interest expense	(1,224)	(1,584)	(2,483)	(3,815)
Post-employment benefits paid	79	79	158	165
Equity income from joint ventures	2,632	2,150	6,675	4,334
Change in non-cash working capital	(7,188)	(5,706)	(6,949)	7,650
Adjusted funds flow from operations	6,387	12,620	17,647	27,779

Terms Defined in the Company's Credit Facility

The following terms are defined in the Company's credit facility agreement and are used in the calculation of the Company's financial covenants:

"EBITDA" means, for any fiscal period, the Net Income of the Canadian Borrower on a consolidated basis in accordance with GAAP but without duplication, plus (in each case, for the Canadian Borrower on a consolidated basis but without duplication):

a) all amounts deducted in the calculation of Net Income in respect of Interest Expense;
b) all amounts deducted in the calculation of Net Income in respect of the provision for income taxes (in accordance with Generally Accepted Accounting Principles);
c) all amounts deducted in the calculation of Net Income in respect of non-cash items including, without limitation, depletion, accretion (to the extent not included in clause (a) above), depreciation, amortization and future income tax liabilities;
d) all amounts deducted in the calculation of Net Income in respect of equity loss, minority interests, extraordinary losses, non-recurring losses (including losses on the sale of property, plant and equipment) and any non-cash impairment charges and any other non-cash charges;
e) all cash distributions received in such period from persons which are not Guarantors;
f) all amounts deducted in the calculation of Net Income in respect of discretionary management bonuses, fees and other compensation declared and payable to the directors or shareholders of the Canadian Borrower on commercially reasonable terms. For the avoidance of doubt, bonuses, fees or other compensation that the Canadian Borrower, on a consolidated basis, is contractually required to pay may not be added back;
g) all amounts deducted in the calculation of Net Income in respect of share based compensation;
h) unrealized foreign exchange losses incurred in the ordinary course of business;

"Funded Debt" means, as of any date of determination, with respect to the Canadian Borrower on a consolidated basis, all Indebtedness, but excluding obligations owing between any Loan Parties and less all cash and Cash Equivalents denominated in Canadian Dollars and U.S. Dollars held by the Loan Parties up to a maximum of $10,000,000 and which are: (i) in accounts with the Agent which are subject to Perfected Security Interests and rights of set-off in favour of the Agent; or (ii) in accounts with a financial institution acceptable to the Agent (acting reasonably) which are subject to Perfected Security Interests and a blocked account control agreement in favour of and satisfactory to the Agent.

"Interest Expense" means for any fiscal period, in respect of the Canadian Borrower on a consolidated basis as determined in accordance with GAAP, the aggregate cost of credit outstanding during that period including, without limitation, interest charges (including for postponed Indebtedness), capitalized interest, the interest component of Financial Leases, fees payable in respect of letters of credit and letters of guarantee, discounts incurred and fees payable in respect of bankers' acceptance advances.

"Eligible Accounts Receivable" means at any time, any Account Receivable of the Loan Parties (net of any credit balance, returns, trade discounts, or unbilled amounts or retention) that meets and at all times continues to meet all of the standards of eligibility (and the Canadian Borrower by including such account in any computation of the Borrowing Base shall be deemed to represent and warrant to the Agent and the Lenders that to the knowledge of the Canadian Borrower all of the following statements are accurate and complete with respect to such account):

a) it is a valid and legally enforceable obligation of the applicable Account Debtor;
b) such account is genuine as appearing on its face or as represented in the books and records of the Canadian Borrower on a consolidated basis;
c) such account is free from valid claims regarding rescission, cancellation or avoidance, whether by operation of Applicable Law or otherwise, and except to the extent of any reduction made pursuant to paragraph (e) of this definition is net of all then applicable holdbacks and prepayment credits;
d) such account does not relate to services not as of yet completed;
e) without limiting the generality of paragraph (c) of this definition, is not subject to any offset, counterclaim or other defence on the part of the Account Debtor or any claim by the Account Debtor that denies liability in whole or in part; and, if the Account Debtor denies liability only in part, the undisputed portion of the Account Receivable shall be allowed so long as the Account Debtor has agreed that it will pay such portion not in dispute in accordance with its terms;
f) such Account Receivable is not outstanding more than 90 days after billing date, provided that the under 90 day portion may be included; (i) where the over 90 day portion is less than 10% of all

Accounts Receivable of such Account Debtor and its Related Parties; (ii) the Agent and the Lenders have nevertheless designated the Account Receivable as good; or (iii) where the Account Debtor has long term debt obligations rated no worse than BBB by S&P or DBRS Limited;

g) it is owed by an Account Debtor whose principal place of business is located in Canada or the United States, unless otherwise supported by a letter of credit acceptable to the Agent, in its discretion;
h) it is denominated in either Canadian Dollars or United States Dollars;
i) it is subject to a Perfected Security Interest in favour of the Agent;
j) such account is, and at all times will be, free and clear of all Security Interests other than Priority Payables (to the extent deducted in calculating the Borrowing Base) and any Permitted Encumbrances;
k) such account is not in respect of a builders lien or similar holdbacks;
l) the Account Receivable does not arise from a sale or lease to or rendering of services to a Related Party of any Loan Party, or, in each case, to their respective Affiliates;

Any Eligible Accounts Receivable which are at any time Eligible Accounts Receivable but which subsequently fail to meet any of the foregoing requirements shall immediately cease to be an Account Receivable.

Non-GAAP Ratios

"Adjusted funds flow from operations per share" is calculated on the same basis as net loss per Class A and Class B share (basic and diluted), utilizing the basic and diluted weighted average number of Class A and Class B shares outstanding during the periods presented.

"Adjusted revenue per operating day" may be useful to analysts, investors, other interested parties and management as a measure of pricing strength and is calculated by dividing adjusted revenue by the number of operating days for the period.

"Adjusted operating and maintenance expenses per operating day" may be useful to analysts, investors, other interested parties and management as it demonstrates a degree of cost control and provides a proxy for specific inflation rates incurred by the Company.

Supplementary Financial Measures

A supplementary financial measure:

a) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Company;
b) is not presented in the financial statements of the Company;

c) is not a non-GAAP financial measure; and

d) is not a non-GAAP ratio.

Supplementary financial measures presented and discussed in this MD&A are as follows:

- **"Operating Margin %"** – represents operating margin as a percentage of revenue.
- **"Adjusted Operating Margin %"** – represents adjusted operating margin as a percentage of adjusted revenue.
- **"Utilization"** – represents the operating days achieved divided by the maximum operating days based on the number of days in the period and the rigs available.

Forward-Looking Statements

From time to time AKITA makes forward-looking statements. These statements include but are not limited to comments with respect to AKITA's objectives and strategies, financial condition, results of operations, the outlook for industry and risk management discussions. In particular, forward-looking information in this MD&A includes, but is not limited to, references to the outlook for the North American economy and the drilling industry (including the demand for oilsands, deep natural gas and other drilling services, day rates, supply issues and labour shortages), oil and natural gas prices, the demand for oil, future investment, the anticipated completion of LNG Canada's export facility and the Coastal GasLink pipeline, investments in Permian Basin natural gas takeaway capacity, the continued decline in drilled but uncompleted wells, the Company's oil sands and natural gas drilling activity, the Company's existing credit facility, the Company's operating performance and cash flows, future investment, debt repayment, tax rates, and the Company's capital program.

Although the Company believes that the expectations reflected in the forward-looking information are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and no assurance can be given that these expectations will prove to be correct. By their nature, these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and therefore carry 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.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of, among other things:

- Prevailing economic conditions including world crude oil prices, North American natural gas prices and global LNG demand;
- Fluctuations and uncertainty surrounding the future price of commodities;
- The impact of global supply chain disruptions;
- The impact of the level of industry activity for Canadian and US crude oil and natural gas exploration and development on the demand, pricing and terms for contract drilling services;
- The impact of changes in demand for crude oil, natural gas or other liquid hydrocarbons on the demand and pricing for drilling services;
- The level of exploration and development activity carried on by AKITA's customers;
- Increased competition, including as a result of the movement of drilling rigs among regions or reduced levels of activity in the oil and gas industry;
- The loss of one or more major customers;
- Changes to existing laws, regulations and government policies, and the introduction of new laws and regulations, including those governing the management, transportation and disposal of hazardous substances and other waste materials and otherwise relating to the protection of the environment;
- The impact of climate change activism;
- Access to capital markets including AKITA's ability to obtain additional debt or equity financing;
- Variations in interest rates and principal repayments under the terms of the Company's credit facility;
- The Company's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness;
- The sufficiency of AKITA's assets to repay indebtedness under its credit facility in the event repayment were to be accelerated following an event of default;
- The impact of dilutive financings or other transactions;
- Fluctuations in foreign exchange, interest and tax rates;
- The adequacy of AKITA's insurance coverage or contractual indemnity rights to cover losses, and the applicability of anti-indemnification legislation;
- The Company's ability to attract, develop and maintain a skilled and safe workforce and maintain a cost structure that varies with activity levels;
- The availability of qualified management personnel; and
- A general reduction in rates in the drilling industry caused by a capital overbuild.

We caution that the foregoing list of factors is not exhaustive and that while 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, prior to making a decision to invest in AKITA. Except where required by law, the Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by it or on its behalf.

Management's Responsibility for Financial Information

As at June 30, 2024, management evaluated, under the supervision of and the participation of the President and Chief Executive Officer (the "CEO") and the Vice President, Finance and Chief Financial Officer (the "CFO"), the effectiveness of the Company's disclosure controls and procedures ("DC&P") as defined under National Instrument 52-109. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P was effective as at June 30, 2024.

No changes were made to the Company's internal control over financial reporting ("ICFR") during the quarter ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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