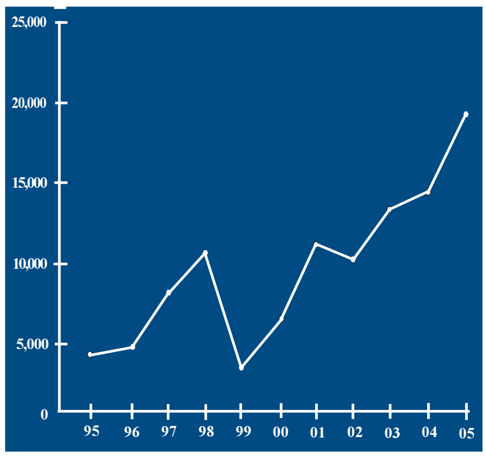
THIRD QUARTERLY

Interim report for
9 months ended
September 30, 2005

To the Shareowners

AKITA Drilling Ltd.'s net earnings for the nine months ended September 30, 2005 were a record $19,688,000 or $1.06 per share on revenue of $115,469,000. Comparative figures for 2004 were $14,181,000 or $0.79 per share on revenue of $97,782,000. Cash flow from operations for the period was $29,834,000 compared to $24,346,000 in 2004.



Net Earnings January to September ($ 000's)

Earnings for the three months ended September 30, 2005 were a record $7,108,000 ($0.38 per share) on revenue of $40,740,000 compared with $3,784,000 ($0.21 per share) on revenue of $29,600,000 in 2004. Cash flow from operations for the quarter ended September 30, 2005 was $10,319,000 compared to $6,950,000 in the corresponding quarter in 2004.

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

During the third quarter, the Company recorded a record number of drilling days. Strong market conditions from currently high oil and gas prices more than offset the negative effects of wet weather on rig movements. Improved dayrates in the current year have also added to AKITA's strong performance. During the first nine months of 2005, the Company drilled 1,022 wells and achieved 5,793 operating days. This represented 57% utilization for the period. A total of 1,016 wells were drilled over 5,154 operating days in the corresponding period in 2004, which represented 52% utilization.

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

Management continues to focus on seeking opportunities that meet the Company's current strengths in the North and in heavy oil. As well, the Company is interested in exploring ways to enhance the opportunities for its well servicing operations.

On behalf of the Board of Directors,

(signed)	(signed)
Ronald D. Southern	John B. Hlavka
Chairman of the Board	*President and C.E.O.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited financial statements for the nine months ended September 30, 2005 and the audited financial statements and MD&A for the year ended December 31, 2004. References made to 2004 in this MD&A relate to the period from January to September unless otherwise stated. The information in this MD&A was approved by AKITA's Audit Committee on behalf of its Board of Directors on October 20, 2005 and incorporates all relevant considerations to that date.

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

REVENUE AND OPERATING & MAINTENANCE EXPENSES

$Million	*Three Months Ended September 30*				*Nine Months Ended September 30*			
	2005	2004	Change	%	2005	2004	Change	%
Revenue	40.7	29.6	11.1	37%	115.5	97.8	17.7	18%
Operating & Maintenance Expenses	23.3	18.1	5.2	28%	66.2	57.6	8.6	15%

Drilling and well servicing revenue increased to $115,469,000 during the first nine months of 2005 from $97,782,000 as a result of stronger activity in the drilling sector. Revenue increased by approximately 18% over the nine-month corresponding periods and equated to $19,932 per operating day in 2005 ($18,972 in the first nine months of 2004). Operating and maintenance costs vary directly with revenue and amounted to $66,231,000 or $11,433 per operating day during the first nine months of 2005 compared with $57,569,000 or $11,170 per operating day for the first nine months of 2004. Consequently, on a nine-month basis, in addition to increased overall profit margins (the difference between revenue and operating and maintenance expenses), per operating day margins were also higher.

During the third quarter of fiscal 2005, revenue increased to $40,740,000 compared to $29,600,000 during the corresponding period in 2004. When calculated on a per operating day basis, third quarter revenue increased from $18,419 per day in 2004 to $19,064 per day in the current year. Operating and maintenance costs for the third quarters amounted to $23,281,000 or $10,894 per operating day during 2005 compared with $18,120,000 or $11,276 per operating day for 2004.

Strong market conditions and the amount of revenue derived from rigs placed on a standby basis continued to have a positive impact on the third quarter and year-to-date profit margins and per operating day results. The initial contracts for two of the remaining five rigs that were built since 2000 expired in the third quarter of 2005. Any renewals of these contracts are not expected to generate the same magnitude of standby revenues as were included in the initial contracts.

DEPRECIATION EXPENSE

$Million	*Three Months Ended September 30*				*Nine Months Ended September 30*			
	2005	2004	Change	%	2005	2004	Change	%
Depreciation	2.8	2.7	0.1	3%	9.2	8.7	0.5	6%

The depreciation increase to $9,201,000 during the first nine months of 2005 from $8,655,000 in the corresponding period in 2004 was attributable to increased activity levels throughout AKITA's rig fleet combined with a higher average cost base for AKITA's rigs. AKITA's rigs are depreciated on a unit of production basis. Drilling rig depreciation accounted for 73% of total depreciation expense in the first nine months of 2005 (2004 - 76%).

SELLING & ADMINISTRATIVE EXPENSE

$Million	*Three Months Ended September 30*				*Nine Months Ended September 30*			
	2005	2004	Change	%	2005	2004	Change	%
Selling and Admin Expense	4.1	3.1	1.0	34%	11.2	9.9	1.3	14%

Selling and administrative expenses were 9.7% of total revenue in the first nine months of 2005 compared to 10.1% of total revenue in 2004. The single largest component was salaries and benefits, which accounted for 61% of these expenses (63% in 2004). In addition, the 2004 results included a $276,000 expense for a bad debt. No corresponding expense occurred in the first nine months of 2005. Current period results include costs related to operating the well servicing joint venture. As this operation was added in October 2004, no corresponding expense occurred during the first nine months of that year.

OTHER INCOME

$Million	*Three Months Ended September 30*				*Nine Months Ended September 30*			
	2005	2004	Change	%	2005	2004	Change	%
Other Income	0.3	0.1	0.2	N/A	1.5	0.3	1.2	N/A

Interest expense for the first nine months of 2005 decreased to $128,000 from $527,000 in the first nine months of 2004 as a result of reduced long-term debt. Cash balances held which are surplus to current daily operating requirements have increased in 2005 and have resulted in AKITA generating $876,000 in interest income for the first nine months in 2005 compared with $607,000 for the corresponding period in 2004. On a "net interest basis" (i.e. interest expense less interest income) AKITA was able to generate $748,000 of interest income in the first nine months of 2005 compared to interest income of $80,000 in the corresponding period in 2004. Gains from the partial sale of rigs and other capital assets totalled $750,000 during the first nine months of 2005, compared with gains of $253,000 for the corresponding period in 2004.

INCOME TAX EXPENSE

$Million	*Three Months Ended September 30*				*Nine Months Ended September 30*			
	2005	2004	Change	%	2005	2004	Change	%
Current Tax	3.4	1.6	1.8	113%	9.2	6.3	2.9	45%
Future Tax	0.4	0.5	(0.1)	(15%)	1.4	1.5	(0.1)	2%

Income tax expense increased to $10,601,000 in the first nine months of 2005 from $7,805,000 in 2004 due to higher pre-tax earnings partially offset by lower tax rates.

NET EARNINGS AND CASH FLOW

$Million	Three Months Ended September 30				Nine Months Ended September 30			
	2005	2004	Change	%	2005	2004	Change	%
Net Earnings	7.1	3.8	3.3	88%	19.7	14.2	5.5	39%
Cash Flow from Operations	10.3	7.0	3.3	48%	29.8	24.3	5.5	23%

Net earnings increased to $19,688,000 or $1.06 per Class A Non-Voting and Class B Common share ($1.05 diluted earnings per share) for the first nine months of 2005 from $14,181,000 or $0.79 per share ($0.76 diluted earnings per share) in 2004. Cash flow from operations increased to $29,834,000 in the first three quarters of 2005 from $24,346,000 in 2004. During the three months ended September 30, 2005 earnings increased to $7,108,000 ($0.38 basic and diluted earnings per share) compared to $3,784,000 ($0.20 basic and diluted earnings per share) for the corresponding period last year. Dilution for the three and nine month periods in 2005 was determined based upon outstanding stock options. Quarterly cash flow from operations increased to $10,319,000 for the three months ended September 30, 2005 compared to $6,950,000 for the corresponding period in 2004. Current year results were positively affected by stronger market conditions. Per share amounts have been retroactively restated to reflect the impact of the Company's two-for-one share split implemented on June 8, 2005.

Historically, the first quarter of the calendar year is the strongest in the drilling industry. Lower activity levels that result from warmer weather necessitating travel bans on public roads characterize the second quarter. Typically, activity levels build once again in the summer and autumn, although certain lands, such as those having muskeg conditions, remain inaccessible until the onset of winter freeze-up.

FLEET AND RIG UTILIZATION

AKITA's fleet is comprised of 37 drilling rigs, including seven that are operated under joint ventures (34.08 rigs net to AKITA). During the first nine months of 2005, the Company achieved 5,793 operating days including 2,137 operating days during the third quarter. This equated to a utilization rate of 57.4% on a year-to-date basis and 62.8% for the third quarter. During the corresponding nine months in 2004, the Company achieved 5,154 operating days including 1,607 operating days during the third quarter. The comparative results represented 51.9% utilization for the nine-month period ended September 30, 2004 including 47.6% for the third quarter. Strong market demand more than offset the negative effects of unusually wet weather in the third quarter of 2005 with respect to drilling activity. Medium and deep capacity drilling rigs are generally less susceptible to weather delays and were consequently the segments that led the third quarter with respect to activity.

In addition to drilling rigs, the Company owns a 50% interest in three well servicing rigs. In the first nine months of 2005, AKITA achieved 4,119 operating hours with its service rigs. As these service rigs were acquired on October 1, 2004, no results are available for the comparative nine-month period in 2004.

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures in the first nine months of 2005 were $11,957,000. Capital expenditures for the corresponding period in 2004 were $10,649,000.

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

During the last 12 months, AKITA's balance sheet has been strengthened by the routine payment of long-term debt and as a result of the conversion of preferred shares into Class A Non-Voting shares. At September 30, 2005, AKITA's balance sheet included $117,000 in long-term debt compared to $5,346,000 at September 30, 2004 and $3,973,000 at December 31, 2004. The existing balance is scheduled for repayment during 2005.

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

On June 6, 2005, the Company renewed its normal course issuer bid for the purchase of up to 3% of the outstanding Class A Non-Voting Shares. To September 30, 2005, 87,900 shares (after taking into consideration the share split noted above) were repurchased and cancelled pursuant to normal course issuer bids at a cost of $1,449,000 of which $111,000 was charged to share capital and $1,338,000 to retained earnings. During the first nine months of 2004, the Company repurchased and cancelled 29,300 shares at a cost of $744,000. The current bid expires on June 5, 2006. Any interested person may obtain a copy of the notice without charge by contacting the Vice President of Finance.

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

FUTURE OUTLOOK

Utilization rates, which rose from 48% in the third quarter of 2004 to 63% in the corresponding period in the current year, are expected to remain strong over the balance of the year with demand for all rig sizes continuing at a steady pace. The currently strong market has motivated the Company to temporarily relocate two of its northern rigs into Alberta. As well, preparatory work is being performed on the SDC Offshore Vessel in order to facilitate AKITA's first offshore labour contract planned for this winter.

As a result of the completion in the third quarter of 2005 of the initial term contracts for two of the five rigs built since 2000 under term contracts, standby revenue is expected to decrease from current levels. The impact of this shortfall should be offset, either partially or wholly, as a result of currently strong market conditions.

Rigs in the North will not be working again until freeze up, as is typical for rigs working in regions with muskeg conditions. Although customers have not yet finalized their plans for the upcoming winter season, it currently appears that the number of wells scheduled for North of 60 will be less than the previous winter. In particular, it is unlikely that any onshore wells will be drilled this season in the Mackenzie Delta.

NON-GAAP MEASURES

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

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

FORWARD-LOOKING STATEMENTS

From time to time AKITA makes forward-looking statements. These statements include but are not limited to comments with respect to AKITA's objectives and strategies, financial condition, results of operations, the outlook for industry and risk management discussions.

By their nature, these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that the predictions and other forward-looking statements will not be achieved. Readers of this MD&A are cautioned not to place undue reliance on these statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, estimates and intentions expressed in such forward-looking statements.

Forward-looking statements may be influenced by the following factors: the level of exploration and development activity carried on by AKITA's customers; world oil prices and North American natural gas prices; weather; access to capital markets and government policies. We caution that the foregoing list of factors is not exhaustive and that investors and investment advisors should carefully consider the foregoing factors as well as other uncertainties and events prior to making a decision to invest in AKITA.

Balance Sheet

Unaudited
($000's)

	September 30 2005	September 30 2004	December 31 2004
ASSETS			
Current assets			
Cash	**$41,320**	$32,784	$27,452
Accounts receivable	**32,905**	21,497	34,926
Other	**586**	2,394	104
	74,811	56,675	62,482
Investments	**55**	55	55
Capital assets	**102,108**	98,536	100,420
	$176,974	$155,266	$162,957
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	**$16,127**	$14,319	$16,570
Income tax payable	**2,976**	720	1,525
Current portion of long-term debt	**117**	5,111	3,973
Current portion of series preferred shares	**-**	4,974	-
	19,220	25,124	22,068
Long-term debt	**-**	235	-
Future income tax	**14,547**	12,666	13,113
Pension liability	**3,039**	2,790	2,850
CLASS A AND CLASS B SHAREHOLDERS' EQUITY			
Preferred shares	**-**	228	-
Class A and Class B shares	**23,558**	18,697	23,669
Contributed surplus	**458**	136	386
Retained earnings	**116,152**	95,390	100,871
	140,168	114,451	124,926
	$176,974	$155,266	$162,957

Statement of Earnings and Retained Earnings

Unaudited ($000's except per share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	**2005**	2004
REVENUE	**$40,740**	$29,600	**$115,469**	$97,782
EXPENSES				
Operating and maintenance	**23,281**	18,120	**66,231**	57,569
Depreciation	**2,760**	2,671	**9,201**	8,655
Selling and administrative	**4,107**	3,068	**11,246**	9,905
	30,148	23,859	**86,678**	76,129
Operating income	**10,592**	5,741	**28,791**	21,653
OTHER INCOME (EXPENSE)				
Interest on long-term debt	**(22)**	(126)	**(128)**	(527)
Interest income	**330**	173	**876**	607
Gain on sale of joint venture interests in rigs and other capital assets	**36**	77	**750**	253
	344	124	**1,498**	333
EARNINGS BEFORE INCOME TAXES	**10,936**	5,865	**30,289**	21,986
INCOME TAXES				
Current	**3,428**	1,608	**9,167**	6,341
Future	**400**	473	**1,434**	1,464
	3,828	2,081	**10,601**	7,805
NET EARNINGS	**7,108**	3,784	**19,688**	14,181
Retained earnings, beginning of period	**110,614**	93,132	**100,871**	84,602
Dividends	**(1,021)**	(903)	**(3,069)**	(2,709)
Adjustment on repurchase and cancellation of share capital	**(549)**	(623)	**(1,338)**	(684)
RETAINED EARNINGS, END OF PERIOD	**$116,152**	$95,390	**$116,152**	$95,390
EARNINGS PER CLASS A AND CLASS B SHARE				
Basic	**$0.38**	$0.21	**$1.06**	$0.79
Diluted	**$0.38**	$0.20	**$1.05**	$0.76

Statement of Cash Flows

Unaudited
($000's)

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	**2005**	2004
OPERATING ACTIVITIES				
Net earnings	**$7,108**	$3,784	**$19,688**	$14,181
Non-cash items included in earnings				
Depreciation	**2,760**	2,671	**9,201**	8,655
Future income tax	**400**	473	**1,434**	1,464
Expense for defined benefit pension plan	**63**	60	**189**	180
Amortization of preferred share discount	**-**	18	**-**	56
Stock options charged to expense	**24**	21	**72**	63
Gain on sale of joint venture interests in rigs and other capital assets	**(36)**	(77)	**(750)**	(253)
Cash flow from operations	**10,319**	6,950	**29,834**	24,346
Change in non-cash working capital	**(7,222)**	(5,068)	**2,355**	(1,167)
	3,097	1,882	**32,189**	23,179
INVESTING ACTIVITIES				
Capital expenditures	**(6,059)**	(4,733)	**(11,957)**	(10,649)
Proceeds on sales of joint venture interests in rigs and other capital assets	**163**	205	**1,818**	712
Change in non-cash working capital	**55**	340	**107**	(987)
	(5,841)	(4,188)	**(10,032)**	(10,924)
FINANCING ACTIVITIES				
Repayment of long-term debt	**(1,044)**	(1,351)	**(3,856)**	(3,994)
Dividends	**(1,021)**	(903)	**(3,069)**	(2,709)
Issue of share capital	**-**	-	**-**	70
Repurchase of share capital	**(589)**	(678)	**(1,449)**	(744)
Change in non-cash working capital	**(5)**	(8)	**85**	-
	(2,659)	(2,940)	**(8,289)**	(7,377)
INCREASE (DECREASE) IN CASH	**(5,403)**	(5,246)	**13,868**	4,878
Cash position, beginning of period	**46,723**	38,030	**27,452**	27,906
CASH POSITION, END OF PERIOD	**$41,320**	$32,784	**$41,320**	$32,784
Interest paid during period	**$15**	$152	**$109**	$523
Income taxes paid during period	**$2,333**	$1,994	**$7,716**	$9,441

Notes to Financial Statements

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

1. FINANCIAL STATEMENT PRESENTATION

The unaudited interim financial statements were prepared by the Company in accordance with Canadian generally accepted accounting principles. The accounting policies and procedures used in assembling these interim financial statements are the same as those used in preparing the audited financial statements for the year ended December 31, 2004. The unaudited interim financial statements should be read along with the audited annual financial statements and notes to the financial statements in the Company's 2004 Annual Report.

The operating and financial results for the interim period covered do not necessarily reflect overall results which may be achieved in the fiscal year due to the seasonality of the industry. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent upon weather conditions. As warm weather returns in spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this spring break up has a direct effect on the Company's activity and profitability levels. In addition, many exploration and development areas in Northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. The timing of freeze up and spring break up affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Company's slowest time.

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

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

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

	September 30, 2005	December 31, 2004
Class A Non-Voting	16,903,558	16,991,458
Class B Common	1,654,284	1,654,284
	18,557,842	18,645,742

As at September 30, 2005, a cumulative total of 228,000 stock options had been granted to directors and officers of the Company at exercise prices varying from $3.695 to $13.49, with expiry dates up to 2013. Of these stock options, 148,200 are vested and exercisable for an average exercise price of $6.80.

3. EARNINGS PER SHARE

	Three MonthsEnded September 30		Nine MonthsEnded September 30	
	2005	2004	**2005**	2004
Net earnings	$7,108	$3,784	$19,688	$14,181
Weighted average outstanding shares - basic	18,575,745	18,042,416	18,604,535	18,054,962
Incremental shares for diluted earnings per share calculation	125,620	748,390	116,708	750,514
Adjustment to earnings for preferred share conversion	-	50	-	150
Basic earnings per share ($)	$0.38	$0.21	$1.06	$0.79
Diluted earnings per share ($)	$0.38	$0.20	$1.05	$0.76

CORPORATE INFORMATION

DIRECTORS

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

Linda A. Heathcott
Executive Vice President, Spruce Meadows,
President, Team Spruce Meadows Inc.
Deputy Chairman of the Board of the Corporation
Calgary, Alberta

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

William R. Horton
Corporate Director
Winfield, British Columbia

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

Margaret E. Southern, O.C., L.V.O., LL.D.
President, Spruce Meadows
Calgary, Alberta

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

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

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

Charles W. Wilson
Corporate Director
Evergreen, Colorado

OFFICERS

John B. Hlavka
President and Chief Executive Officer

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

Craig W. Kushner
Corporate Secretary and Human Resources Administrator

Murray J. Roth
Vice President Finance

Karl A. Ruud
Executive Vice President and Chief Operating Officer

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COUNSEL

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AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

CIBC Mellon Trust Company
Calgary, Alberta and
Toronto, Ontario
1-800-387-0825

SHARE SYMBOL/TSX

Class A Non-Voting (AKT.NV.A)
Class B Common (AKT.B)

WEBSITE

www.akita-drilling.com