Interim report for 9 months ended September 30, 2015

Letter to the Shareowners

While business conditions have been challenging, AKITA generated positive funds flow in each quarter this year. Funds flow from operations for the quarter ended September 30, 2015 was $8,225,000 compared to $10,942,000 in the corresponding quarter in 2014, while funds flow from operations for the January to September period in 2015 was $31,356,000 compared to $39,216,000 for the corresponding nine month period in 2014.

AKITA Drilling Ltd.'s net loss for the three months ended September 30,2015 was $7,581,000 (net loss of $0.42 per share) on revenue of $22,021,000, compared to net income of $3,854,000 (net income of $0.21 per share) on revenue of $36,556,000 for the corresponding period in 2014. The third quarter results for 2015 include an asset impairment expense of $8,200,000 (after tax effect of $6,005,000 or $0.33 per share) with respect to certain of its conventional rigs in addition to a net loss of $1,576,000 (net loss of $0.09 per share) as a result of routine operations. During the nine months ended September 30, 2015 the Company reported a net loss of $4,983,000 (net loss of $0.28 per share) compared to net income of $16,085,000 (net income of $0.90 per share – basic; $0.89 per share - diluted) in the comparative year-to-date period in 2014. In addition to the asset impairment expense of $8,200,000 recorded in the third quarter of 2015, the Company recorded a deferred tax charge of $1,191,000 in the second quarter of 2015 as a result of a corporate income tax increase in Alberta.

Rig activity decreased during the third quarter of 2015 to 839 operating days or 25.3% utilization compared to an industry average of 23.8% and to 1,519 operating days or 45.0% utilization during the third quarter of 2014. For the nine months ended September 30, 2015, rig activity decreased to 3,539 operating days or 34.8% utilization compared to an industry average of 24.0% utilization and to 4,851 operating days year-to-date in 2014. These decreases were attributable to weaker market conditions, particularly for conventional rigs, although all rig classes were adversely affected to some extent.

During the quarter, the Company received API Q2 certification from the American Petroleum Institute, the first drilling contractor to receive this global certification. API Q2 is an encompassing quality control and assurance standard that ensures the Company conforms to rigorous standards throughout its operations including such key functions as procurement, asset monitoring and safety. Management anticipates that customers who place value on a repeatable execution model will find this achievement important in the awarding of contracts.

Oilfield market weakness is continuing and appears likely to persist for the balance of the current year and 2016. AKITA is well positioned to withstand this downturn as the Company employs a risk management style that contemplates and addresses industry cycles prior to them becoming a reality. The Company's balance sheet is exceptionally strong with positive cash and working capital, attractive rig assets, no short or long-term borrowings and an unused $100 Million credit facility. Management has undertaken a number of actions to reduce the Company's capital and operating costs to reflect the current conditions, while remaining poised for future opportunities.

On behalf of the Board of Directors,

Linda A. Southern-Heathcott
Chairman of the Board

Karl A. Ruud
President and Chief Executive Officer

Management's Discussion & 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 for the nine months ended September 30, 2015 and the audited consolidated financial statements and MD&A for the year ended December 31, 2014. References made to 2014 in this MD&A relate to the period from January 1 to September 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 November 3, 2015 and incorporates all relevant considerations to that date.

Management has prepared this MD&A as well as the accompanying unaudited interim condensed consolidated financial statements and notes thereof. All financial information is presented in Canadian Dollars.

Cyclical and Seasonal Nature of AKITA's Operations

Commodity prices for crude oil and natural gas are highly correlated to ongoing drilling activity. On a year-to-date basis, average West Texas Intermediate crude oil lost approximately half of its value compared to the corresponding period in 2014. AECO spot natural gas lost more than one-third of its prior year's value during the same time frame. These significant commodity price declines have had a corresponding adverse effect on the level of drilling activity in Western Canada, including for AKITA and have affected both the manner in which AKITA is approaching key decisions(Note) and the Company's financial results for both the third quarter and on a year-to-date basis. The lower activity levels also negatively affected the Company's day rates for its services due to increased competition from underutilized rigs throughout the industry, as detailed later in this MD&A.

Note: Manner in which AKITA is approaching key decisions includes how the Company addresses:

a. Business investment opportunities;
b. Capital expenditure programs;
c. Pricing for drilling services;
d. Wages, salaries and staffing levels;
e. Timing and level of discretionary expenses throughout the Company;
f. Approach to financing including repayments thereof; and
g. Risk tolerance and risk management.

Typically, once rig utilization increases, even relatively small increases can have a significant positive financial impact on AKITA's performance. Readers should be aware however that other influences, including changes in the proportions of drilling performed by different rig classes, can also have an important influence on the Company's financial results.

In addition to considerations regarding the cyclical nature of AKITA's business, readers should be aware that historically, the first quarter of the calendar year is the most active in the drilling industry. Lower activity levels that result from spring break-up and associated travel bans on public roads characterize the second quarter. While rig activity typically improves following spring break-up, during the third quarter of 2015, only minimal improvements in rig activity were achieved.

Generally, AKITA exceeds industry average rig utilization rates as a result of positive customer relations, meaningful joint ventures with Aboriginal and First Nations partners, employee expertise, safety performance, equipment quality and drilling performance.

The following table summarizes third quarter and year-to-date utilization for AKITA and industry for 2015 and 2014:

	Three Months Ended September 30		Nine Months Ended September 30	
Utilization rates expressed in percentages	**AKITA**	Industry[1]	**AKITA**	Industry[1]
2015	**25.3**	23.8	**34.8**	24.0
2014	**45.0**	45.8	**47.7**	44.0

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

Rig utilization rates were lower in the first nine months of 2015 for all of AKITA's rig categories compared to the first nine months of 2014. While pad rig utilization declined by 20%, conventional rig utilization declined three and one half times greater.

Basis of Analysis in this MD&A, Non-Standard and Additional GAAP Items

The Company reports its joint venture activities in the financial statements in accordance with International Financial Reporting Standards ("IFRS"), IFRS 11 "Joint Arrangements". In determining the classification of its joint arrangements, AKITA considers whether the joint arrangements are structured through separate vehicles, if the legal form of the separate vehicles confers upon the parties direct rights to assets and obligations for liabilities relating to the arrangements, whether the contractual terms between the parties confer upon them rights to assets and obligations for liabilities relating to the arrangements as well as if other facts and circumstances lead to rights to assets and obligations for liabilities being conferred upon the parties to the arrangement prior to concluding that AKITA's joint ventures are classified as joint ventures rather than joint operations. Under IFRS 11, AKITA is required to report its joint venture assets, liabilities and financial activities using the equity method of accounting. However, for purposes of analysis in this MD&A, the proportionate share of assets, liabilities and financial activities is included as non-standard GAAP information ("Adjusted") where appropriate. The Company provides the same drilling services and utilizes the same management, financial and reporting controls for its joint venture activities as are in place for its wholly owned operations. None of AKITA's joint ventures are individually material in size when considered in the context of AKITA's overall operations.

Operating margin, revenue per operating day, operating and maintenance expense per operating day and operating margin per operating day are not recognized measures under IFRS. Management and certain investors may find operating margin data to be a useful measurement metric as it provides an indication of the profitability of the business prior to the influence of depreciation, overhead expenses, financing costs and income taxes. Management and certain investors may find "per operating day" measures for revenue and operating margin indicate pricing strength while operating and maintenance expense per operating day demonstrates the degree of cost control and provides a proxy for specific inflation rates incurred by the Company. Readers should be cautioned that in addition to the foregoing, other factors, including the mix of rigs between conventional and pad and singles, doubles and triples can also impact these results. Readers should also be aware that AKITA includes standby revenue, construction revenue and construction costs in its determination of "per operating day" results.

Funds flow from operations is considered as an additional GAAP measure under IFRS. AKITA's method of determining funds flow from operations may differ from methods used by other companies and includes cash flow from operating activities before working capital changes. Management and certain investors may find funds flow from operations to be a useful measurement to evaluate the Company's operating results at year-end and within each year, since the seasonal nature of the business affects the comparability of non-cash working capital changes both between and within periods.

Revenue and Operating & Maintenance Expenses

$Millions	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	% Change	**2015**	2014	Change	% Change
Revenue per Interim Financial Statements [1]	**22.0**	36.6	(14.6)	(40%)	**91.3**	119.3	(28.0)	(23%)
Proportionate Share of Revenue from Joint Ventures [2]	**6.3**	13.8	(7.5)	(54%)	**26.8**	47.9	(21.1)	(44%)
Adjusted Revenue [2]	**28.3**	50.4	(22.1)	(44%)	**118.1**	167.2	(49.1)	(29%)

$Millions	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	% Change	**2015**	2014	Change	% Change
Operating & Maintenance Expenses per Interim Financial Statements [1]	**14.2**	25.1	(10.9)	(43%)	**59.3**	78.7	(19.4)	(25%)
Proportionate Share of Operating & Maintenance Expenses from Joint Ventures [2]	**4.0**	9.4	(5.4)	(57%)	**17.1**	30.7	(13.6)	(44%)
Adjusted Operating & Maintenance Expenses [2]	**18.2**	34.5	(16.3)	(47%)	**76.4**	109.4	(33.0)	(30%)

$Millions	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	% Change	**2015**	2014	Change	% Change
Adjusted Revenue [2]	**28.3**	50.4	(22.1)	(44%)	**118.1**	167.2	(49.1)	(29%)
Adjusted Operating & Maintenance Expenses [2]	**18.2**	34.5	(16.3)	(47%)	**76.4**	109.4	(33.0)	(30%)
Adjusted Operating Margin [1][2][3]	**10.1**	15.9	(5.8)	(36%)	**41.7**	57.8	(16.1)	(28%)

$Dollars	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	% Change	**2015**	2014	Change	% Change
Adjusted Revenue per Operating Day [2]	**34,371**	33,139	1,232	4%	**35,295**	34,457	838	2%
Adjusted Operating & Maintenance Expenses per Operating Day [2]	**21,973**	22,708	(735)	(3%)	**22,833**	22,542	291	1%
Adjusted Operating Margin per Operating Day [2][3]	**12,398**	10,431	1,967	19%	**12,462**	11,915	547	5%

(1) Proportionate share of revenue from joint ventures, adjusted revenue, proportionate share of operating & maintenance expenses from joint ventures, adjusted operating & maintenance expenses, adjusted operating margin, adjusted revenue per operating day, adjusted operating & maintenance expenses per operating day and adjusted operating margin per operating day are non-standard accounting measures. See commentary in "Basis of Analysis in this MD&A, Non-Standard and Additional GAAP Items".

(2) Adjusted operating margin is the difference between adjusted revenue and adjusted operating & maintenance expenses.

(3) Balances may differ from financial statements as a result of rounding.

Third Quarter Comparatives

During the third quarter of 2015, adjusted revenue decreased to $28,356,000 from $50,338,000 during the third quarter of 2014 as a result of decreased rig activity. While all rig categories were affected, the declines were most pronounced for AKITA's conventional rigs.

Although adjusted revenue for the three month period ended September 30, 2015 decreased, adjusted revenue per operating day increased to $34,371 during the third quarter of 2015 from $33,139 in the comparative quarter in 2014 due to an increased proportion of the Company's revenue being generated by its pad drilling rigs versus conventional rigs. Pad rigs, compared to conventional rigs, typically generate higher revenue on a "per day" basis.

Adjusted operating and maintenance expenses are tied to revenue and amounted to $18,128,000 ($21,973 per operating day) during the third quarter of 2015 compared to $34,494,000 ($22,708 per operating day) in the same period of the prior year. The decreases in operating and maintenance expenses, both on a total and "per day" basis, resulted primarily from reduced drilling activity and secondarily from cost reductions.

The adjusted operating margin for the Company decreased to $10,228,000 in the third quarter of 2015 from $15,844,000 during the corresponding quarter of 2014 primarily due to decreased drilling activity. Although the overall operating margin decreased during the third quarter of 2015 as compared to the corresponding quarter in 2014, AKITA's adjusted operating margin per operating day increased to $12,398 from $10,431 in the comparative period in 2014 as a result of a change in rig mix that included a higher proportion of pad rigs working.

Year-to-Date Comparatives

During the first nine months of 2015, adjusted revenue decreased to $118,063,000 from $167,153,000 during the comparative nine month period of 2014 as a result of lower drilling activity. 83% of this decline in activity is attributable to AKITA's conventional rigs.

Although adjusted revenue for the year-to-date period ended September 30, 2015 decreased, adjusted revenue per operating day increased to $35,295 during the first nine months of 2015 from $34,457 in the comparative period in 2014 due to the same factors that affected third quarter adjusted revenue per operating day.

Adjusted operating and maintenance expenses are tied to revenue and amounted to $76,377,000 ($22,833 per operating day) during the first nine months of 2015 compared to $109,352,000 ($22,542 per operating day) in the same period of the prior year.

The adjusted operating margin for the Company decreased to $41,686,000 ($12,462 per operating day) in the first nine months of 2015 from $57,801,000 ($11,915 per operating day) during the corresponding period of 2014. The reduction in overall operating margin was related to weaker market conditions while the higher proportion of pad drilling that occurred in the first nine months of 2015 compared to the first nine months of 2014 resulted in higher "per operating day" margins.

Other Comments

From time to time, the Company requires customers to make pre-payments prior to the provision of drilling services. In addition, from time to time, the Company records cost recoveries related to capital enhancements for specific customer related projects. At September 30, 2015, deferred revenue related to these activities totalled $32,000 (September 30, 2014 - $364,000).

Depreciation and Amortization Expense

$Millions	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Depreciation and Amortization Expense	8.9	7.1	1.8	25%	26.3	22.2	4.1	18%

The depreciation and amortization expense reported in the third quarter of 2015 of $8,922,000 was higher than for the corresponding quarter in 2014 ($7,088,000). AKITA depreciates its rig fleet on a unit of production basis and while overall drilling days declined during the third quarter of 2015 compared to the corresponding quarter in 2014, the most active rigs in the third quarter were also the rigs with the highest cost bases.

Depreciation and amortization expense for the first nine months of 2015 totalled $26,266,000 compared to $22,208,000 for the corresponding period in 2014. As with the depreciation and amortization expense for the third quarter, the higher cost base for AKITA's active rigs more than offset the lower rig activity levels. In the first nine months of 2015, drilling rig depreciation accounted for 96% of total depreciation and amortization expense (2014 - 96%).

While AKITA conducts many 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 the joint ventures themselves. Therefore, the joint ventures do not hold any property, plant, or equipment assets directly. Consequently, the depreciation balance reported above includes depreciation on assets involved in both wholly owned and joint ventured activities.

Asset Impairment Loss

International Accounting Standards 36, "Impairment of Assets", requires an entity to consider both internal and external factors when assessing whether there are indications of asset impairment at each reporting period. While the Company did not determine any internal indicators of impairment either at December 31, 2014 or subsequently, it did determine two potential external indicators of impairment at December 31, 2014: a significant decline in the price of crude oil: and the carrying amount of AKITA's net assets exceeding the Company's market capitalization at that date. While both of these indicators remained valid throughout the year, to date, the price of crude oil declined further during the third quarter of 2015, from its trading price earlier in the year, resulting in further deterioration in the overall Canadian drilling market, as demonstrated by unusually weak seasonal improvements in rig utilization following the second quarter of the current year. In addition, management determined that, as a result of this additional weakening of crude oil prices, secondary opportunities to capture value for AKITA's drilling fleet had also become more limited.

The accuracy of asset impairment testing is affected by estimates and judgments in respect of the inputs and parameters that are used to determine recoverable amounts. In performing its impairment tests at September 30, 2015, management determined value in use for each of its cash generating units ("CGUs") using estimated discounted cash flows ("DCFs"), which included estimates of future cash flows, expectations regarding cash flow variability, a determination of the discount rate and consideration of the recoverable amount and salvage value of each CGU. IFRS considers this approach to constitute a Level 3 hierarchy in its determination of value.

Management used its preliminary 2016 budget and business plan inputs as well as current internal forecasts as its primary bases for impairment testing at September 30, 2015. Cash flows were determined for each of the Company's five CGUs: conventional singles, conventional doubles, conventional triples, pad doubles and pad triples. While these five CGUs encompass 98% of the Company's property, plant and equipment, consideration was also given to other corporate assets in the Company's impairment tests.

Additional significant assumptions used in AKITA's asset impairment tests at September 30, 2015 included potential annual revenue growth rates (0%), potential inflation for cash outflows necessary to generate cash inflows for CGUs (2%), the projected forecast period (up to 10 years per CGU), the discount rate taken based on the Company's pre-tax determination of its weighted average cost of capital (8%) and salvage value at the end of each CGU's useful life (20% of original cost). The generation of cash flows was considered for the Company's CGUs based on the existing condition of each CGU at September 30, 2015.

As a result of performing these impairment tests, the Company recorded an overall impairment of $8,200,000 with respect to certain of AKITA's conventional rigs. This amount represents the difference between the respective CGU's recoverable amounts and their carrying values. For assets within CGUs that were determined to be impaired, 81% of the recoverable amounts were calculated based on "value in use" with the remaining 19% calculated based on "fair value less cost of disposal". The Company did not record any impairment with respect to AKITA's pad rigs.

Asset impairment testing is subject to numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that the predictions will not be realized. As a result, the following sensitivity analysis has been performed to recognize that additional outcomes are possible:

- Decreased future cash flows from its preliminary 2016 budget by 10%;
- Changed annual revenue growth rate assumption from 0% to -2% per year;
- Increased inflation for cash outflows from 2% to 4%;
- Increased the pre-tax discount rate from 8% to 10%; and
- Reduced salvage values from 20% to 15%.

As rigs are long lived assets, no sensitivity adjustment was made for the projected forecast period.

The sensitivity tests resulted in reductions to the conventional rig CGUs' values in use ranging from $1,748,000 to $8,552,000. As the base case test represented management's best estimates, these sensitivity reductions were not included in the impairment reported. With respect to pad rig CGUs, values in use ranging from $6,929,000 to $49,840,000 were determined. In the case of pad rigs, the adjusted CGU's values in use continued to exceed carrying values reported on the financial statements at September 30, 2015.

Selling and Administrative Expenses

$Millions	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	% Change	**2015**	2014	Change	% Change
Selling & Administrative Expenses per Interim Financial Statements	**3.6**	4.0	(0.4)	(10%)	**12.0**	14.1	(2.1)	(15%)
Proportionate Share of Selling & Administrative Expenses from Joint Ventures [(1)]	**0.1**	0.1	(0.0)	N/A	**0.3**	0.6	(0.3)	(50%)
Adjusted Selling & Administrative Expenses [(1)]	**3.7**	4.1	(0.4)	(10%)	**12.3**	14.7	(2.4)	(16%)

(1) Proportionate share of selling and administrative expenses from joint ventures and adjusted selling and administrative expenses are non-standard accounting measures. See commentary in "Basis of Analysis in this MD&A, Non-Standard and Additional GAAP Items".

Adjusted selling and administrative expenses were 10.5% of adjusted revenue in the first nine months of 2015 compared to 8.8% of adjusted revenue in the first nine months of 2014 since adjusted revenue decreased more rapidly than adjusted selling and administrative expenses. The single largest component was salaries and benefits, which accounted for 59% of these expenses (2014 - 59%). The Company has been able to reduce overall selling and administrative expenses, particularly in the second and third quarters of 2015, as a result of implementing various management controls.

Equity Income from Joint Ventures

$Millions	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Proportionate Share of Revenue from Joint Ventures (1)	6.3	13.8	(7.5)	(54%)	26.8	47.9	(21.1)	(44%)
Proportionate Share of Operating & Maintenance Expenses from Joint Ventures (1)	4.0	9.4	(5.4)	(57%)	17.1	30.7	(13.6)	(44%)
Proportionate Share of Selling & Administrative Expenses from Joint Ventures (1)	0.1	0.1	(0.0)	N/A	0.3	0.6	(0.3)	(50%)
Equity Income from Joint Ventures	2.2	4.3	(2.1)	(49%)	9.4	16.6	(7.2)	(43%)

(1) Proportionate share of revenue from joint ventures, proportionate share of operating & maintenance expenses from joint ventures and proportionate share of selling & administrative expenses from joint ventures are non-standard accounting measures. See commentary in "Basis of Analysis in this MD&A, Non-Standard and Additional GAAP Items".

The Company provides the same drilling services and utilizes the same management, financial and reporting controls for its joint venture activities as are in place for its wholly owned operations. The analyses of these activities are incorporated throughout the relevant sections of this MD&A. Joint venture activities are often located in some of the most prospective regions in Canada. Two thirds of AKITA's joint ventures utilize pad drilling rigs.

Other Income

$Millions	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Total Other Income	0.2	0.6	(0.4)	(67%)	0.1	0.6	(0.5)	(83%)

Interest income decreased to $100,000 in the first nine months of 2015 from $142,000 in the corresponding period in 2014, primarily as a result of reduced interest rates. In addition, between 2011 and 2014, the Company had undertaken significant capital expenditures related to the construction of new rigs and the conversion of conventional rigs into pad rigs, thereby reducing AKITA's cash balances over time.

During the first nine months of 2015, the Company incurred interest expense of $321,000 as a result of the Company's indebtedness in addition to the related future cost of the Company's defined benefit pension plan. During the corresponding nine month period in 2014, AKITA incurred interest expense of $119,000 primarily for the future cost of the Company's defined benefit pension plan. The Company completed the repayment of its operating loan facility balance during the third quarter of 2015.

During the first nine months of 2015, the Company sold some ancillary assets for $995,000 that resulted in a loss of $61,000. During the corresponding period in 2014, the Company disposed of an older underutilized pad rig as well as other non-core assets resulting in gains totalling $499,000.

Approximately 69% of amounts recorded as "Net Other Gains" during the first nine months of 2015 related to foreign exchange that was associated with rig construction for AKITA's new pad triple rig which was deployed during the second quarter of 2015.

Income Tax Expense (Recoverable)

$Millions	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Current Tax Expense (Recoverable)	(1.4)	0.9	(2.3)	(256%)	(1.0)	5.1	(6.1)	(120%)
Deferred Tax Expense (Recoverable)	(1.4)	0.4	(1.8)	(450%)	1.0	0.3	0.7	233%
Income Tax Expense (Recoverable)	(2.8)	1.3	(4.1)	(315%)	(0.0)	5.4	(5.4)	(100%)

Income tax recoverable decreased to $50,000 in the first nine months of 2015 compared to income tax expense of $5,425,000 in the corresponding period in 2014 mainly due to recording a pre-tax loss as a result of weaker operations and the effect of recording an asset impairment loss. In addition to the effect of the pre-tax loss, during the second quarter of 2015, the Company recorded a one-time deferred tax expense of $1,191,000 related to the corporate income tax increase implemented by the Government of Alberta. Recent capital additions have affected the portion of income taxes that are deferred to future dates.

Net Income (Loss), Funds Flow and Net Cash From Operating Activities

$Millions	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Net Income (Loss)	(7.6)	3.9	(11.5)	(295%)	(5.0)	16.1	(21.1)	(131%)
Funds Flow from Operations (1)	8.2	10.9	(2.7)	(25%)	31.4	39.2	(7.8)	(20%)

(1) Funds flow from operations is an additional GAAP measure under IFRS. See commentary in "Basis of Analysis in this MD&A, Non-Standard and Additional GAAP Items".

During the three months ended September 30, 2015, the Company reported a net loss of $7,581,000 (net loss of $0.42 per Class A Non-Voting and Class B Common Share (basic and diluted)) compared to net income of $3,854,000 or $0.21 per share (basic and diluted) in the comparative quarter in 2014. The third quarter of 2015 included an asset impairment expense of $8,200,000 in addition to a net loss of $1,576,000 as a result of routine operations. The net loss reported in the third quarter of 2015 compared to the net income reported in the third quarter of 2014 was also attributable to reductions in drilling activity as well as increased depreciation expense. Funds flow from operations decreased to $8,225,000 during the third quarter of 2015 from $10,942,000 in the corresponding quarter in 2014. Funds flow was negatively affected by weaker drilling activity in the third quarter of 2015 but was not affected by the asset impairment expense, increased depreciation expense or deferred tax expense as these are non-cash items.

During the nine months ended September 30, 2015, the Company reported a net loss of $4,983,000 (net loss of $0.28 per Class A Non-Voting and Class B Common Share (basic and diluted)) compared to net income of $16,085,000 or $0.90 per share (basic) ($0.89 - diluted) in the comparative year-to-date period in 2014. Funds flow from operations decreased to $31,356,000 during the nine months ended September 30, 2015 from $39,216,000 in the corresponding nine months in 2014. The net loss reported on a nine month year-to-date basis compared to the net income reported in 2014 was attributable to reductions in drilling activity coupled with higher depreciation expense, the asset impairment expense in the third quarter of 2015 and the Alberta corporate income tax rate increase during the second quarter. Funds flow from operations was

negatively affected by weaker drilling activity and lower day rates but was not affected by depreciation, asset impairment expense or income tax rate changes as these are all non-cash items. As a result, the net loss for the first nine months of 2015 decreased 131% compared to the corresponding period in 2014, while the decline in funds flow when comparing the same periods was 20%.

The following table reconciles funds flow and cash flow from operations:

$Millions	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	% Change	**2015**	2014	Change	% Change
Funds Flow from Operations [1]	**8.2**	10.9	(2.7)	(33%)	**31.4**	39.2	(7.8)	(20%)
Change in Non-Cash Working Capital	**0.4**	(1.5)	1.9	127%	**15.5**	15.5	0.0	N/A
Equity Income from Joint Ventures	**(2.3)**	(4.3)	2.0	47%	**(9.4)**	(16.6)	7.2	43%
Interest Paid	**0.0**	(0.0)	0.0	N/A	**(0.2)**	(0.0)	(0.2)	N/A
Current Income Tax Expense (Recoverable)	**(1.3)**	0.9	(2.7)	(300%)	**(0.9)**	5.1	(6.0)	(118%)
Income Tax (Paid) Recoverable	**1.3**	(1.4)	3.2	229%	**0.9**	(4.6)	5.5	120%
Net Cash from Operating Activities	**6.3**	4.6	1.7	37%	**37.3**	38.6	(1.3)	(3%)

(1) Funds flow from operations is an additional GAAP measure under IFRS. See commentary in "Basis of Analysis in this MD&A, Non-Standard and Additional GAAP Items".

Fleet and Rig Utilization

At September 30, 2015, AKITA had 36 drilling rigs, including nine that operated under joint ventures, (32.725 net to AKITA), the same number of rigs that were in the Company's fleet one year earlier. During the twelve month period ending September 30, 2015, the Company commissioned three new pad rigs including one in the current year and decommissioned an equal number of conventional rigs.

	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	% Change	**2015**	2014	Change	% Change
Operating Days	**839**	1,519	(680)	(45%)	**3,539**	4,851	(1,312)	(27%)
Utilization Rate	**25.3%**	45.0%	(19.7)	(44%)	**34.8%**	47.7%	(12.9)	(27%)

Liquidity and Capital Resources

Cash used for capital expenditures totalled $15,335,000 during the first nine months of 2015 (2014 - $71,285,000). Nearly two thirds of current year capital expenditures relate to the completion of a new pad rig that was deployed during the second quarter. Other capital expenditures related to routine items.

At September 30, 2015, AKITA's Statement of Financial Position included working capital (current assets minus current liabilities) of $12,131,000 compared to working capital of $11,061,000 at September 30, 2014 and a working capital deficiency of $5,028,000 at December 31, 2014. Readers should also be aware of the seasonal nature of AKITA's business 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 and decline thereafter as a result of increased drilling activity. During 2015, the drilling activity level did not undergo a significant pick-up following spring break-up as overall market conditions have been unusually weak. Non-cash working capital amounted to $7,328,000 at September 30, 2015 compared to a non-cash working capital deficiency of $7,040,000 at December 31, 2014.

The Company did not have a normal course issuer bid in place during the first nine months of 2015. During the first nine months of 2014, the Company purchased 27,600 Class A Non-Voting Shares at an average price of $15.49 pursuant to a normal course issuer bid.

The Company chooses to maintain a conservative Statement of Financial Position due to the cyclical nature of the industry. In addition to its cash balances, the Company has an operating loan facility with its principal banker totalling $100,000,000 that is available until 2019. The facility has been provided in order to finance general corporate needs, capital expenditures and acquisitions. Management has accessed this facility primarily to enable the Company to fund new rig construction requirements related to drilling contracts that it has been awarded. The interest rate on the facility varies based upon the actual amounts borrowed and ranges from 0.45% to 1.45% over prime interest rates or 1.45% to 2.45% over guaranteed notes, depending on the preference of the Company. The Company had borrowings of $20,000,000 at December 31, 2014, all of which were repaid during the first nine months of 2015. The Company did not have any borrowings outstanding at September 30, 2015.

The Company's objectives when managing capital are:

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

The Company manages its capital structure and makes adjustments 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 or issue new shares, sell assets or utilize debt. Since 1999, dividend rates have increased eight times with no decreases. The last dividend increase was declared on March 5, 2014.

During the 10 year period since 2005, AKITA has repurchased 764,508 Class A Non-Voting shares through normal course issuer bids and issued 158,200 Class A Non-Voting shares upon exercise of stock options.

The Company had four rigs under multi-year contracts at September 30, 2015. Of these contracts, two are anticipated to expire in 2016, one in 2018 and one in 2019.

From time to time, the Company may provide guarantees for bank loans to joint venture partners in respect of sales of joint venture interests. At September 30, 2015, AKITA provided $7,183,000 in deposits with the bank for those guarantees. These funds have been classified as "restricted cash" on the Statement of Financial Position.

Summary of Quarterly Results

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

$Thousands, except per share

Three Months Ended	Mar. 31	Jun. 30	Sep. 30	Dec. 31
2015				
Revenue	**46,715**	**22,536**	**22,021**	
Net income (loss)	**4,218**	**(1,620)**	**(7,581)**	
Earnings (loss) per share (basic) ($)	**0.24**	**(0.09)**	**(0.42)**	
Earnings (loss) per share (diluted) ($)	**0.23**	**(0.09)**	**(0.42)**	
Funds flow from operations	**14,059**	**9,072**	**8,225**	
Cash flow from operations	**6,015**	**25,011**	**6,325**	
2014				
Revenue	54,342	28,365	36,556	46,011
Net income	10,150	2,081	3,854	4,994
Earnings per share (basic and diluted) ($)	0.57	0.12	0.21	0.27
Funds flow from operations	17,665	10,609	10,942	16,979
Cash flow from operations	5,127	28,789	4,641	2,065
2013				
Revenue	60,761	28,324	33,096	45,930
Net income	12,495	2,757	3,540	7,723
Earnings per share (basic) ($)	0.70	0.15	0.20	0.43
Earnings per share (diluted) ($)	0.70	0.15	0.19	0.43
Funds flow from operations	19,985	9,121	11,300	17,213
Cash flow from (used in) operations [1]	6,356	26,725	6,932	(459)

(1) Funds flow from operations is an additional GAAP measure under IFRS. See commentary in "Basis of Analysis in this MD&A, Non-Standard and Additional GAAP Items".

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.

Management continues to evaluate the near-term using a similar cautionary approach as has been described in previous 2015 quarterly reports. The seasonal improvement in drilling activity that annually follows spring break-up was significantly weaker this year than has been typically experienced in Western Canada. As a result of no apparent near-term positive catalyst, management anticipates weak drilling activity levels in the short-term.

Commodity prices for crude oil and natural gas have been low for an extended period and continue to have an adverse effect on capital spending by the Company's customers. Uncertainty continues to persist around any commodity price improvements as well as the extent of access for oil and gas producers to non-operational sources of financing. If producers lose significant access to capital, further capital spending reductions may result.

As a result of this heightened level of uncertainty, AKITA continues to build its financial strength including having no short or long-term debt at September 30, 2015. Management has reduced the scope of capital expenditures and is awaiting signs of better opportunities prior to adjusting to a more opportunistic approach to capital spending. Management is also scaling operational aspects of the Company to meet current market realities.

Despite the foregoing challenges, AKITA intends to continue to rely on the pad portion of its fleet to ensure it remains a viable alternative for its customers, especially as it pertains to larger "resource play" types of developments. The Company expects this approach to continue to result in activity levels that are in excess of industry averages. Meanwhile, the Company continues to see limited opportunities for conventional drilling rigs in the short-term.

Forward-Looking Statements

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

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

Forward-looking statements may be influenced by factors such as the level of exploration and development activity carried on by AKITA's customers; world crude oil prices and North American natural gas prices; weather; access to capital markets and government policies. We caution that the foregoing list of factors is not exhaustive and that investors and others should carefully consider the foregoing factors as well as other uncertainties and events prior to making a decision to invest in AKITA. Except as required by law, the Company does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by it or on its behalf.

Management's Responsibilty for Financial Information

As at September 30, 2015, 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 September 30, 2015.

No changes were made to the Company's internal control over financial reporting ("ICFR") during the quarter ended September 30, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. Based on the evaluation of the design and operating effectiveness of the Company's ICFR, the CEO and CFO concluded that the Company's ICFR was effective as at September 30, 2015. The evaluation of the effectiveness of the Company's ICFR was performed utilizing the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework") as revised effective May 24, 2013, under the supervision of, and with the participation of, the CEO and CFO.

As in prior quarters, AKITA's audit committee reviewed this document, including the attached unaudited interim condensed consolidated financial statements.

Interim Consolidated Statements of Financial Position

Unaudited $Thousands		September 30, 2015	September 30, 2014	December 31, 2014
Assets				
Current Assets				
Cash and cash equivalents		$ 4,803	$ 2,934	$ 2,012
Accounts receivable	Note 5	13,813	32,250	39,981
Income taxes recoverable		1,616	-	3,011
Prepaid expenses and other		457	497	257
		20,689	35,681	45,261
Non-current Assets				
Restricted cash	Note 6	7,183	9,381	9,381
Other long-term assets		944	950	1,025
Investments in joint ventures	Note 7	3,465	6,978	6,214
Property, plant and equipment	Note 8	258,939	254,568	279,045
Total Assets		$ 291,220	$ 307,558	$ 340,926
Liabilities				
Current Liabilities				
Operating loan facility	Note 5	$ -	$ -	$ 20,000
Accounts payable and accrued liabilities		6,865	21,856	28,589
Deferred revenue		32	364	175
Dividends payable	Note 9	1,525	1,525	1,525
Income taxes payable		-	875	-
		8,422	24,620	50,289
Non-current Liabilities				
Financial instruments	Note 5	140	261	226
Deferred income taxes	Note 10	28,039	23,076	27,053
Deferred share units	Note 11	265	108	91
Pension liability		3,750	2,839	3,426
Total Liabilities		40,616	50,904	81,085
Shareholders' Equity				
Class A and Class B shares	Note 12	23,871	23,871	23,871
Contributed surplus		3,878	3,470	3,557
Accumulated other comprehensive income (loss)		(280)	88	(280)
Retained earnings		223,135	229,225	232,693
Total Equity		250,604	256,654	259,841
Total Liabilities and Equity		$ 291,220	$ 307,558	$ 340,926

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

Unaudited $Thousands		Three Months Ended		Nine Months Ended	
		September 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Revenue		**$ 22,021**	$ 36,556	**$ 91,272**	$ 119,263
Costs and expenses					
Operating and maintenance		**14,158**	25,141	**59,260**	78,676
Depreciation and amortization	Note 8	**8,922**	7,088	**26,266**	22,208
Asset impairment loss	Note 4	**8,200**	-	**8,200**	-
Selling and administrative		**3,601**	4,043	**12,038**	14,097
Total costs and expenses		**34,881**	36,272	**105,764**	114,981
Revenue less costs and expenses		**(12,860)**	284	**(14,492)**	4,282
Equity income from joint ventures	Note 7	**2,283**	4,270	**9,356**	16,588
Other income (losses)					
Interest income		**32**	43	**100**	142
Interest expense		**(36)**	(42)	**(321)**	(119)
Gain (loss) on sale of assets		**50**	381	**(61)**	499
Net other gains		**123**	210	**385**	118
Total other income		**169**	592	**103**	640
Income (loss) before income taxes		**(10,408)**	5,146	**(5,033)**	21,510
Income taxes	Note 10	**(2,827)**	1,292	**(50)**	5,425
Net income (loss) and comprehensive income (loss) for the period attributable to shareholders		**(7,581)**	3,854	**(4,983)**	16,085
Earnings (loss) per Class A and Class B Share	Note 13				
Basic		**$ (0.42)**	$ 0.21	**$ (0.28)**	$ 0.90
Diluted		**$ (0.42)**	$ 0.21	**$ (0.28)**	$ 0.89

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statements of Changes in Shareholders' Equity

Unaudited
$Thousands

Attributable to the Shareholders of the Company

	Class A Non-Voting Shares	Class B Common Shares	Total Class A and Class B Shares	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
Balance at December 31, 2013	$ 22,542	$ 1,366	$ 23,908	$ 3,185	$ 88	$ 218,107	$ 245,288
Net income for the period	-	-	-	-	-	16,085	16,085
Shares repurchased	(37)	-	(37)	-	-	(390)	(427)
Stock options charged to expense	-	-	-	285	-	-	285
Dividends	-	-	-	-	-	(4,577)	(4,577)
Balance at September 30, 2014	$ 22,505	$ 1,366	$ 23,871	$ 3,470	$ 88	$ 229,225	$ 256,654
Net income for the period	-	-	-	-	-	4,994	4,994
Remeasurement of pension liability	-	-	-	-	(368)	-	(368)
Stock options charged to expense	-	-	-	87	-	-	87
Dividends	-	-	-	-	-	(1,526)	(1,526)
Balance at December 31, 2014	$ 22,505	$ 1,366	$ 23,871	$ 3,557	$ (280)	$ 232,693	$ 259,841
Net loss for the period	-	-	-	-	-	(4,983)	(4,983)
Stock options charged to expense	-	-	-	321	-	-	321
Dividends	-	-	-	-	-	(4,575)	(4,575)
Balance at September 30, 2015	$ 22,505	$ 1,366	$ 23,871	$ 3,878	$ (280)	$ 223,135	$ 250,604

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

Unaudited $Thousands		Three Months Ended		Nine Months Ended	
		September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Operating Activities					
Net income (loss) and comprehensive income (loss)		$ (7,581)	$ 3,854	$ (4,983)	$ 16,085
Non-cash items included in net income (loss):					
Depreciation and amortization	Note 8	8,922	7,088	26,266	22,208
Asset impairment loss	Note 4	8,200	-	8,200	-
Deferred income taxes (recovery)	Note 10	(1,429)	347	986	338
Expense for defined benefit pension plan		114	97	344	291
Expense for stock options and deferred share units	Note 11	75	154	495	393
(Gain) loss on sale of assets		(50)	(381)	61	(499)
Unrealized foreign currency (gain) loss		-	(402)	73	245
Unrealized (gain) loss on financial guarantee contracts		(26)	185	(86)	155
Funds flow from operations		8,225	10,942	31,356	39,216
Change in non-cash working capital:					
Accounts receivable		(928)	(5,740)	26,168	10,092
Prepaid expenses and other		304	194	(200)	(132)
Income taxes recoverable		1,278	-	1,395	-
Accounts payable and accrued liabilities		(218)	3,720	(11,635)	5,515
Deferred revenue		(47)	288	(143)	30
		8,614	9,404	46,941	54,721
Equity income from joint ventures		(2,283)	(4,270)	(9,356)	(16,588)
Pension benefits paid		(6)	(3)	(20)	(8)
Interest paid		-	(10)	(214)	(20)
Income taxes expense (recovery) - current	Note 10	(1,398)	945	(1,036)	5,087
Income taxes paid (recoverable)		1,398	(1,425)	1,036	(4,634)
Net cash from operating activities		6,325	4,641	37,351	38,558
Investing Activities					
Capital expenditures	Note 8	(3,461)	(28,312)	(15,335)	(71,285)
Change in non-cash working capital related to capital		(2,663)	3,796	(9,948)	(2,749)
Distributions from investments in joint ventures		2,394	12,527	12,105	19,702
Change in cash restricted for loan guarantees		1,299	-	2,198	(3,431)
Change in term deposits		-	-	-	5,000
Proceeds on sale of assets		209	6,818	995	8,059
Net cash used in investing activities		(2,222)	(5,171)	(9,985)	(44,704)
Financing Activities					
Change in operating loan facility		(2,500)	-	(20,000)	-
Dividends paid		(1,525)	(1,526)	(4,575)	(4,491)
Repurchase of share capital		-	-	-	(427)
Net cash used in financing activities		(4,025)	(1,526)	(24,575)	(4,918)
Increase (decrease) in cash		78	(2,056)	2,791	(11,064)
Cash, beginning of period		4,725	4,990	2,012	13,998
Cash, End of Period		$ 4,803	$ 2,934	$ 4,803	$ 2,934

The accompanying notes are an integral part of these interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2015 and September 30, 2014 (unaudited)

1. General Information

AKITA Drilling Ltd. and its subsidiaries (the "Company" or "AKITA") provide contract drilling services, primarily to the oil and gas industry. From time to time, the Company is involved in other forms of drilling including potash mining and the development of storage caverns. The Company owns and operates 36 drilling rigs (32.725 net) in Canada.

The Company conducts certain rig operations via joint ventures with Aboriginal and First Nations partners whereby rig assets are jointly owned. While joint venture interests are at least 50% owned by the Company, in each case the joint venture is governed on a joint basis.

The contract drilling business in which the Company operates is subject to seasonal fluctuations primarily due to weather conditions affecting the ability to move rigs and other heavy equipment. Historically, rig utilization in the first quarter of the calendar year is the highest. Lower activity levels that result from warmer weather which necessitates travel bans on certain public roads characterize the second quarter while the summer drilling season begins when road bans are lifted. Activity builds throughout the fall and peaks during the winter months.

The Company is a limited liability company incorporated and domiciled in Alberta, Canada. The address of its registered office is 1000, 333 – 7th Avenue SW, Calgary, Alberta. The Company is listed on the Toronto Stock Exchange.

2. Basis of Preparation

The unaudited interim condensed consolidated financial statements ("interim financial statements") for the nine months ended September 30, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as applicable to interim financial reports including International Accounting Standards ("IAS") 34, "Interim Financial Reporting", and should be read in conjunction with the audited annual consolidated financial statements, including the notes thereof, for the year ended December 31, 2014, which have been prepared in accordance with IFRS.

Items included in the interim financial statements of each of the Company's consolidated entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These interim financial statements are presented in Canadian dollars.

The accounting policies applied in these interim financial statements are based on IFRS issued and effective as of November 3, 2015, the date that the Company's Audit Committee of the Board of Directors approved the interim financial statements.

3. Significant Accounting Policies

The accounting policies adopted are consistent with those reported in the Company's 2014 Annual Report.

4. Significant Accounting Estimates and Judgments

The preparation of these 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

International Accounting Standards 36, "Impairment of Assets", requires an entity to consider both internal and external factors when assessing whether there are indications of impairment at each reporting period. While the Company did not determine any internal indicators of impairment either at December 31, 2014 or subsequently, it did determine two potential external indicators of impairment at December 31, 2014: a significant decline in the price of crude oil as well as the carrying amount of AKITA's net assets exceeding the Company's market capitalization at that date. While both of these indicators remained valid throughout the year, to date, the price of crude oil declined further during the third quarter of 2015, from its trading price earlier in the year, resulting in further deterioration in the overall Canadian drilling market, as demonstrated by unusually weak seasonal improvements in rig utilization following the second quarter of the current year. In addition, management determined that, as a result of this additional weakening of crude oil prices, secondary opportunities to capture value for AKITA's drilling fleet had also become more limited.

The accuracy of asset impairment testing is affected by estimates and judgments in respect of the inputs and parameters that are used to determine the recoverable amounts. In performing its impairment tests at September 30, 2015, management determined value in use for each of its cash generating units ("CGUs"), using estimated discounted cash flows ("DCFs"), which included estimates of future cash flows, expectations regarding cash flow variability, a determination of the discount rate and consideration of the recoverable amount and salvage values of each CGU. IFRS considers this approach to constitute a Level 3 hierarchy in its determination of value.

Management used its 2016 preliminary budget and business plan inputs as well as current internal forecasts as its primary bases for impairment testing at September 30, 2015. Cash flows were determined for each of the Company's five CGUs: conventional singles, conventional doubles, conventional triples, pad doubles and pad triples. While these five operating CGUs encompass 98% of the Company's property, plant and equipment, consideration was also given to other corporate assets in the Company's impairment tests.

Additional significant assumptions used in AKITA's asset impairment tests at September 30, 2015 included potential annual revenue growth rates (0%), potential inflation for cash outflows necessary to generate cash inflows for CGUs (2%), the projected forecast period (up to 10 years per CGU), the discount rate taken based on the Company's pre-tax determination of its weighted average cost of capital (8%) and salvage value at the end of each CGU's useful life (20% of original cost). The generation of cash flows was considered for the Company's CGUs based on the existing condition of each CGU at September 30, 2015.

As a result of performing these impairment tests, the Company recorded an overall impairment of $8,200,000 with respect to certain of AKITA's conventional rigs. This amount represents the difference between the respective CGU's recoverable amounts and their carrying values. For assets within CGUs that were determined to be impaired, 81% of the recoverable amounts were calculated based on "value in use" with the remaining 19% calculated based on "fair value less cost of disposal". The Company did not record any impairment with respect to AKITA's pad rigs.

Asset impairment testing is subject to numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that the predictions will not be realized. As a result, the following sensitivity analysis has been performed to recognize that additional outcomes are possible:

- Decreased future cash flows from its preliminary budget by 10%;
- Changed annual revenue growth rate assumption from 0% to -2% per year;
- Increased inflation for cash outflows from 2% to 4%;
- Increased the pre-tax discount rate from 8% to 10%; and
- Reduced salvage values from 20% to 15%.

As rigs are long lived assets, no sensitivity adjustment was made for the projected forecast period.

The sensitivity tests resulted in reductions to the conventional rig CGUs' values in use ranging from $1,748,000 to $8,552,000. As the base case test represented management's best estimates, these sensitivity reductions were not included in the impairment reported. With respect to pad rig CGUs, values in use ranging from $6,929,000 to $49,840,000 were determined. In the case of pad rigs, the adjusted CGU values in use continued to exceed carrying values reported on the financial statements at September 30, 2015.

Useful Lives of Drilling Rigs

The preparation of AKITA's interim financial statements requires management to make significant estimates relating to the useful lives of drilling rigs. Depreciation is calculated using a detailed approach based on major components and results in an average useful life of 3,600 operating days per rig. Drilling rigs are depreciated using the unit of production method. Assuming a 10% difference in the actual useful lives of drilling rigs compared to the accounting estimate of useful life and based upon actual drilling days achieved for the nine months ended September 30, 2015, drilling rig depreciation could be either increased or decreased by $2,523,000 (2014 - $2,130,000). AKITA's depreciation expense does not have any effect on the changes to the financial condition for the Company, as depreciation is a non-cash item.

Defined Benefit Pension Liability

A significant estimate used in the preparation of AKITA's interim financial statements relates to the measurement of the defined benefit pension liability for selected employees that was recorded as $3,750,000 at September 30, 2015 (2014 - $2,839,000). AKITA's pension liability estimates do not have any effect on the changes to financial condition for the Company, as the defined benefit pension is an unfunded non-cash liability. However, total liabilities and results of operations including net income could be either understated or overstated as a result of pension estimates that are either too high or too low. AKITA utilizes the services of a third party to assist in the actuarial estimate of the Company's pension expense and liability. For 2015, a key assumption relates to the use of a 3.8% discount rate.

Deferred Income Taxes

The Company makes assumptions relating 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.

Incomplete Transactions at Period End

The Company makes assumptions relating to transactions that were incomplete at the Statement of Financial Position date. Depending on the actual transaction, total assets and liabilities of the Company as well as results of operations including net income could be either understated or overstated as a result of differences between amounts accrued for incomplete transactions and the subsequent actual balances.

5. Financial Instruments

Operating Loan Facility

The Company has an operating loan facility with its principal banker. The facility totals $100,000,000 with the term ending in 2019.

The interest rate on the facility varies based upon the actual amounts borrowed, but ranges from 0.45% to 1.45% over prime interest rates or 1.45% to 2.45% over guaranteed notes, depending on the preference of the Company. Security for this facility includes a General Security Agreement covering all current and future assets.

At September 30, 2015, the Company had repaid all funds drawn on its loan facility.

The Company is in compliance with its operating loan facility covenants.

Contracts Measured at Fair Value

Forward exchange contracts
From time to time, the Company enters into forward exchange contracts as a risk management strategy. Forward exchange contracts are included in current assets/liabilities except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets/liabilities. The Company does not designate any of its forward exchange contracts as effective accounting hedges and, accordingly, fair values its forward exchange contracts with the resulting gains and losses recorded in the Consolidated Statement of Net Income and Comprehensive Income.

The fair value of the forward exchange contracts is determined by calculating the difference between the contracted foreign exchange rates and the foreign exchange forward rates at the period end date using the contracted amounts. The fair value measurement of the forward exchange contracts has a fair value hierarchy of Level 2 whereby fair value was based on a valuation model that utilized direct observable market data.

The Company did not have any forward exchange contracts outstanding at September 30, 2015 (September 30, 2014 – US $4,250,000).

Financial guarantee contracts
The Company guaranteed bank loans made to joint venture partners and has provided an assignment of monies on deposit with respect to these loans. The Company has recorded the loan guarantee benefit at its fair value of $140,000 (2014 - $261,000). The fair value measurement of the financial guarantee benefit has a fair value hierarchy of Level 2 whereby fair value was determined based on a valuation model that utilized indirect observable market data.

Financial Instrument Risk Exposure and Management

The Company is exposed to various risks associated with its financial instruments. These risks are categorized as credit risk, foreign currency risk, and liquidity risk. In addition, the Company is exposed to interest rate risk through its operating loan facility.

Credit Risk

The credit risk associated with accounts receivable is generally considered low since substantially all counterparties are well-financed and established oil and gas companies. The Company has detailed credit-granting procedures and in certain circumstances may require customers to make advance payment prior to the provision of services or take other measures to help reduce credit risk. Management has estimated provisions to recognize potential impairments, which have been included in the accounts.

The terms of the Company's contracts generally require payment within 30 days. The Company's accounts receivable show no significant credit risk exposure in the balances outstanding at:

$Thousands	September 30, 2015	September 30, 2014	December 31, 2014
Within 30 days	$ 12,468	$ 26,722	$ 34,642
31 to 60 days	1,379	4,022	1,803
61 to 90 days	-	1,162	2,408
Over 90 days	(13)	459	1,228
Allowance for doubtful accounts	(21)	(115)	(100)
Accounts receivable	$ 13,813	$ 32,250	$ 39,981

Foreign Currency Risk

The Company is exposed to changes in foreign exchange rates as capital expenditures or financial instruments may fluctuate due to changing rates.

Liquidity Risk

The Company is exposed to liquidity risk through its working capital balance. At September 30, 2015, September 30, 2014 and December 31, 2014, this risk was limited by having strong cash flows from operations and a banking facility sufficient to meet all current liabilities. All working capital amounts at September 30 and December 31 are due within one year.

Commodity Risk

The Company is indirectly exposed to commodity risk relating to commodity prices due to the industry in which it works.

6. Restricted Cash

$Thousands	September 30, 2015	September 30, 2014	December 31, 2014
Balance held in bank liquid deposit instruments	$ 7,183	$ 9,381	$ 9,381

During 2011, the Company guaranteed bank loans made to joint venture partners totaling $2,700,000 for a period of four years. The Company has provided an assignment of monies on deposit totaling $542,000 with respect to these loans.

During 2013, the Company guaranteed additional bank loans made to joint venture partners totaling $2,812,000 for a period of four years. The Company has provided an assignment of monies on deposit totaling $1,650,000 with respect to these loans.

During 2014, the Company guaranteed bank loans made to joint venture partners totaling $5,648,000 for a period of four years. The Company has provided an assignment of monies on deposit totaling $4,991,000 with respect to these loans.

From time to time, the restricted cash balance is reduced to reflect joint venture partner loan repayments.

The Company's security from its partners for these guarantees includes interests in specific rig assets. The Company has recorded the loan guarantee benefit at its fair value.

7. Investments in Joint Ventures

Joint Venture Interests

The Company conducts certain rig operations via joint ventures with Aboriginal and First Nations partners whereby rig assets are jointly owned. Currently there are 22 different Aboriginal and First Nations groups with equity investments in ten of AKITA's rigs. These equity investments are facilitated through joint venture agreements. Each joint venture operates the rig with the joint venture partners owning a share of each rig directly. The equity ownership of the rigs for each Aboriginal or First Nations partner varies between rigs and groups and ranges from 5% to 50% per group per rig.

While joint venture interests are at least 50% owned by the Company, in each case the joint venture is governed on a joint basis. The Company accounts for the joint venture interests using the equity method of accounting. The following table lists the Company's active joint ventures.

Active Joint Ventures during the Period	Operating Location	AKITA Ownership Interest
Akita Wood Buffalo Joint Venture 22	Canada	85%
Akita Wood Buffalo Joint Venture 25	Canada	85%
Akita Wood Buffalo Joint Venture 26	Canada	85%
Akita Wood Buffalo Joint Venture 27	Canada	85%
Akita Wood Buffalo Joint Venture 28	Canada	70%
Akita Wood Buffalo Joint Venture 33	Canada	62.5%
Akita Sahtu Joint Venture 51	Canada	50%
Akita Equtak Joint Venture 60	Canada	50%
Akita Equtak Joint Venture 61	Canada	50%
Akita Equtak Joint Venture 63	Canada	50%

Continuity of Investments in Joint Ventures

$Thousands	Investments in Joint Ventures
Balance as at December 31, 2013	$ 10,092
Net income for the nine month period ended September 30, 2014	16,588
Distributions for the nine month period ended September 30, 2014	(19,702)
Balance as at September 30, 2014	6,978
Net income for the three month period ended December 31, 2014	6,408
Distributions for the three month period ended December 31, 2014	(7,172)
Balance as at December 31, 2014	6,214
Net income for the nine month period ended September 30, 2015	9,356
Distributions for the nine month period ended September 30, 2015	(12,105)
Balance as at September 30, 2015	**$ 3,465**

Summarized Joint Venture Financial Information

This summarized financial information is a reconciliation of the Company's investments in Joint Ventures to the aggregate of the amounts included in the IFRS financial statements of the joint ventures which includes both the Company's and Joint Venture partners' interests.

	AKITA %	JV Partner %	Total	AKITA %	JV Partner %	Total
$Thousands	September 30, 2015	September 30, 2015	September 30, 2015	September 30, 2014	September 30, 2014	September 30, 2014
Cash	$ 1,859	$ 729	$ 2,588	$ 3,074	$ 1,396	$ 4,470
Other current assets	4,503	918	5,421	9,890	4,444	14,334
Non-current assets	55	-	55	55	-	55
Total Assets	6,417	1,647	8,064	13,019	5,840	18,859
Current liabilities	2,855	653	3,508	5,556	2,642	8,198
Non-current liabilities	97	17	114	485	86	571
Total Liabilities	2,952	670	3,622	6,041	2,728	8,769
Net Assets	$ 3,465	$ 977	$ 4,442	$ 6,978	$ 3,112	$ 10,090

	AKITA %	JV Partner %	Total	AKITA %	JV Partner %	Total
	Nine Months Ended			Nine Months Ended		
$Thousands	September 30, 2015	September 30, 2015	September 30, 2015	September 30, 2014	September 30, 2014	September 30, 2014
Revenue	$ 26,791	$ 8,931	$ 35,722	$ 47,890	$ 18,959	$ 66,849
Net income and comprehensive income	$ 9,356	$ 2,876	$ 12,232	$ 16,588	$ 5,175	$ 21,763

8. Property, Plant and Equipment

Cost $Thousands	Land and Buildings	Drilling Rigs	Other	Total
Balance as at December 31, 2013	$ 4,240	$ 387,286	$ 7,816	$ 399,342
Additions	-	70,625	660	71,285
Disposals	-	(23,426)	(212)	(23,638)
Balance as at September 30, 2014	4,240	434,485	8,264	446,989
Additions	121	31,459	1,084	32,664
Disposals	(59)	(7,787)	(411)	(8,257)
Balance as at December 31, 2014	4,302	458,157	8,937	471,396
Additions	-	15,270	66	15,336
Disposals	-	(3,233)	(882)	(4,115)
Impairment losses	-	(12,166)	-	(12,166)
Balance as at September 30, 2015	**$ 4,302**	**$ 458,028**	**$ 8,121**	**$ 470,451**

Accumulated Depreciation $ Thousands	Land and Buildings	Drilling Rigs	Other	Total
Balance as at December 31, 2013	$ 1,168	$ 179,790	$ 5,400	$ 186,358
Disposals	-	(15,865)	(212)	(16,077)
Depreciation expense	61	21,303	776	22,140
Balance as at September 30, 2014	1,229	185,228	5,964	192,421
Disposals	(59)	(7,568)	(411)	(8,038)
Depreciation expense	21	7,474	473	7,968
Balance as at December 31, 2014	1,191	185,134	6,026	192,351
Disposals	-	(2,176)	(882)	(3,058)
Depreciation expense	62	25,228	895	26,185
Impairment losses	-	(3,966)	-	(3,966)
Balance as at September 30, 2015	**$ 1,253**	**$ 204,220**	**$ 6,039**	**$ 211,512**

Net Book Value $ Thousands	Land and Buildings	Drilling Rigs	Other	Total
As at December 31, 2013	$ 3,072	$ 207,496	$ 2,416	$ 212,984
As at September 30, 2014	$ 3,011	$ 249,257	$ 2,300	$ 254,568
As at December 31, 2014	$ 3,111	$ 273,023	$ 2,911	$ 279,045
As at September 30, 2015	**$ 3,049**	**$ 253,808**	**$ 2,082**	**$ 258,939**

As at September 30, 2015, the Company had $1,632,000 in Property, Plant and Equipment that was not being depreciated as these assets were under construction (September 30, 2014 - $62,201,000 and December 31, 2014 – $16,094,000).

In addition to depreciation on its Property, Plant and Equipment, the Company had amortization expense of $81,000 for the nine month period ended September 30, 2015 (September 30, 2014- $68,000 and December 31, 2014 – $92,000).

The Company recorded an asset impairment of $8,200,000 (Note 4) with respect to certain of its conventional rigs.

9. Dividends per Share

The following table provides a history of dividends for 2014 and 2015 to date:

Declaration Date	Payment Date	Per Share $	Total ($000's)
March, 2014	April, 2014	0.085	1,526
May, 2014	July, 2014	0.085	1,526
August, 2014	October, 2014	0.085	1,525
November, 2014	January, 2015	0.085	1,525
March, 2015	**April, 2015**	**0.085**	**1,525**
May, 2015	**July, 2015**	**0.085**	**1,525**
July, 2015	**October, 2015**	**0.085**	**1,525**

10. Income Taxes

Income tax expense is comprised of the following:

	Three Months Ended		Nine Months Ended	
$Thousands	**September 30, 2015**	September 30, 2014	**September 30, 2015**	September 30, 2014
Current tax expense (recovery)	**$ (1,398)**	$ 945	**$ (1,036)**	$ 5,087
Deferred tax expense (recovery)	**(1,429)**	347	**986**	338
Total income taxes	**$ (2,827)**	$ 1,292	**$ (50)**	$ 5,425

The following table reconciles the theoretical income tax expense using a weighted average Canadian federal and provincial tax rate of 26.14% (2014 – 25.39%) to the reported tax expense. The rate increase is due primarily to an increase in the Alberta tax rate effective June 29, 2015. The reconciling items represent, aside from the impact of tax rate differentials and changes, non-taxable benefits or non-deductible expenses arising from permanent differences between the local tax base and the reported financial statements.

	Three Months Ended		Nine Months Ended	
$Thousands	**September 30, 2015**	September 30, 2014	**September 30, 2015**	September 30, 2014
Income (loss) before income taxes	**$ (10,408)**	$ 5,147	**$ (5,033)**	$ 21,510
Expected income tax at statutory rate of 26.14% (2014 - 25.39%)	**(2,721)**	1,307	**(1,316)**	5,462
Add (deduct):				
Change in future income tax rates	**(32)**	7	**1,393**	(88)
Permanent differences	**36**	37	**91**	118
Return to provision adjustment	**(68)**	-	**(68)**	8
Other	**(42)**	(59)	**(150)**	(75)
Income tax	**$ (2,827)**	$ 1,292	**$ (50)**	$ 5,425

Deferred income taxes are the result of temporary differences between the carrying amounts of certain assets and liabilities in the financial statements and their tax bases.

Deferred Income Taxes $Thousands	**Property, plant and equipment**	**Employee pension benefits**	**Other**	**Total**
Balance as at December 31, 2013	$ 22,801	$ (652)	$ 589	$ 22,738
Charged (credited) to the statement of net income (loss)	475	(69)	(68)	338
Balance as at September 30, 2014	23,276	(721)	521	23,076
Charged (credited) to the statement of net income (loss)	4,077	(24)	49	4,102
Credited to other comprehensive income	-	(125)	-	(125)
Balance as at December 31, 2014	27,353	(870)	570	27,053
Charged (credited) to the statement of net income (loss)	1,192	(132)	(74)	986
Balance as at September 30, 2015	**$ 28,545**	**$ (1,002)**	**$ 496**	**$ 28,039**

11. Stock-based Compensation Plans

(a) Stock Options

The following table summarizes stock options reserved, granted and available for future issuance:

(number of options)	**September 30, 2015**	September 30, 2014	December 31, 2014
Reserved under current stock option plan	**1,700,000**	1,700,000	1,700,000
Available for issuance at beginning of the period	**438,500**	568,500	568,500
Granted during the period	**(105,000)**	(130,000)	(130,000)
Available for future issuance	**333,500**	438,500	438,500

A summary of the status of the Company's stock-based compensation plans as of September 30, 2015 and 2014, and changes during the periods ended on those dates is presented below:

	2015		2014	
	Options	**Weighted Average Exercise Price ($)**	Options	Weighted Average Exercise Price ($)
Options outstanding at January 1	**577,000**	**12.20**	447,000	11.09
Granted	**105,000**	**10.28**	130,000	16.02
Options outstanding at September 30	**682,000**	**11.90**	577,000	12.20
Options outstanding at December 31			577,000	12.20
Options exercisable at September 30	**459,500**	**11.38**	354,300	11.04
Options exercisable at December 31			354,300	11.04

The following table summarizes information about stock options at September 30, 2015 and September 30, 2014:

		2015			2014		
Vesting Period (Years)	Exercise Price ($)	Number Outstanding	Remaining Contractual Life (Years)	Number Exercisable	Number Outstanding	Remaining Contractual Life (Years)	Number Exercisable
5	9.87	150,000	4.5	150,000	150,000	5.5	150,000
3	10.32	6,000	5.5	6,000	6,000	6.5	6,000
6	10.32	91,000	5.5	72,800	91,000	6.5	72,800
5	10.86	97,500	6.5	78,000	97,500	7.5	58,500
5	13.81	102,500	8.0	61,500	102,500	9.0	41,000
5	16.02	130,000	8.9	52,000	130,000	9.9	26,000
5	10.28	105,000	9.5	21,000			
Weighted Average Contractual Life			7.1			7.6	

(b) Deferred Share Units

A summary of the status of the Company's deferred share unit plan as of September 30, 2015 and September 30, 2014, and changes during the periods ended on those dates is presented below:

	2015		2014	
	Deferred Share Units (#)	Fair Value ($000's)	Deferred Share Units (#)	Fair Value ($000's)
Deferred share units at January 1	7,309	$ 91	-	$ -
Granted during the period	23,077	240	7,229	120
Issued in lieu of dividends	392	4	38	1
Change in fair value during the period	-	(70)	-	(13)
Deferred share units at September 30	30,778	$ 265	7,267	$ 108
Issued in lieu of dividends			42	-
Change in fair value during the period			-	(17)
Deferred share units at December 31			7,309	$ 91

(c) Share-based Compensation Expense (Recovery)

	Three Months Ended		Nine Months Ended	
$Thousands	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Stock option expense	$ 90	$ 163	$ 321	$ 285
Deferred share unit expense (recovery)	(15)	(9)	174	108
Total	$ 75	$ 154	$ 495	$ 393

The stock option expense was determined using the Binomial Model based on the following assumptions:

	2015	2014
Risk free interest rate	1.04%	1.54%
Expected volatility	28.0%	29.0%
Dividends yield rate	2.6%	2.2%
Contractual life of options	4.5 years	5.4 years
Weighted average fair value	$ 10.28	$ 16.02
Forfeiture rate	0.0%	0.0%
Fair value of options	$ 2.18	$ 3.76

(d) Share Appreciation Rights

The Company did not have any outstanding Share Appreciation Rights during either 2015 or 2014; therefore no corresponding liability is recorded on the Statement of Financial Position.

12. Share Capital

Authorized:

- An unlimited number of Series Preferred shares, issuable in series, designated as First Preferred Shares, no par value
- An unlimited number of Series Preferred shares, issuable in series, designated as Second Preferred Shares, no par value
- An unlimited number of Class A Non-Voting shares, no par value
- An unlimited number of Class B Common shares, no par value

Issued:

- All issued shares are fully paid

Number of Shares	Class A Non-Voting	Class B Common	Total
Shares outstanding at December 31, 2013	16,319,477	1,653,784	17,973,261
Shares repurchased	(27,600)	-	(27,600)
Shares outstanding at September 30, 2014	**16,291,877**	**1,653,784**	**17,945,661**
Shares repurchased	-	-	-
Shares outstanding at December 31, 2014	**16,291,877**	**1,653,784**	**17,945,661**
Shares repurchased	-	-	-
Shares outstanding at September 30, 2015	**16,291,877**	**1,653,784**	**17,945,661**

Each Class B Common Share may be converted into one Class A Non-Voting Share at the holder's option.

In the event that an offer to purchase Class B Common shares is made to all or substantially all holders of Class B Common Shares while at the same time an offer to purchase Class A Non-Voting Shares on the same terms and conditions is not made to the holders of Class A Non-Voting Shares, and holders of more than 50 % of the Class B Common Shares do not reject the offer in accordance with the terms of AKITA's articles of incorporation, then the holders of Class A Non-Voting Shares will be entitled to exchange each Class A Non-Voting Share for one Class B Common Share for the purpose of depositing the resulting Class B Common Share pursuant to the terms of the takeover bid. The two classes of shares rank equally in all other respects.

Sentgraf Enterprises Ltd., controlled by Ronald D. Southern owns 1,428,790 Class B Common shares, which at September 30, 2015 represented 86.4% of the Class B Common shares. Sentgraf Enterprises Ltd. also owns 4,505,625 Class A Non-Voting shares, which at September 30, 2015 represented 27.6% of the Class A Non-Voting shares.

For the first five months of 2014, the Company had outstanding normal course issuer bids for the purchase of up to 3% of the outstanding Class A Non-Voting shares. In 2014, 27,600 shares were repurchased and cancelled under normal course issuer bids at a cost of $427,000 of which $37,000 was charged to share capital and $390,000 was charged to retained earnings. The normal course issuer bid expired on May 29, 2014. The Company has not established a normal course issuer bid to date during 2015.

13. Earnings per Share

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Net income (loss) ($Thousands)	**$ (7,581)**	$ 3,854	**$ (4,983)**	$ 16,085
Weighted average outstanding shares for basic earnings per share	**17,945,661**	17,945,661	**17,945,661**	17,949,459
Incremental shares for diluted earnings per share calculation	**-**	134,777	**2,862**	136,167
Weighted average outstanding shares for diluted earnings per share	**17,945,661**	18,080,438	**17,948,523**	18,085,626
Basic earnings (loss) per share ($)	**$ (0.42)**	$ 0.21	**$ (0.28)**	$ 0.90
Diluted earnings (loss) per share ($)	**$ (0.42)**	$ 0.21	**$ (0.28)**	$ 0.89

For the third quarter of 2015, all of the outstanding options that would have been issued under the Stock Option Plan ("Option Plan") were excluded in calculating the weighted average number of diluted shares as the Company incurred a net loss during that period.

For the third quarter of 2014, 130,000 shares that would be issued under the Option Plan were excluded in calculating the weighted average number of diluted shares outstanding as they were considered anti-dilutive.

For the nine month period ended September 30, 2015, 532,000 (2014 – 130,000) shares that would be issued under the Option Plan were excluded in calculating the weighted average number of diluted shares outstanding as they were considered anti-dilutive.

14. Segmented Information

The Company operates in one business segment and provides contract drilling services, primarily to the oil and gas industry. From time to time, the Company is involved in other forms of drilling including potash mining and the development of storage caverns. Segment information is provided on the basis of geographic segments as the Company manages its business through two geographic regions – Canada and the United States. During the first three quarters of 2015 and 2014 the Company operated only in Canada.

15. Related Party Transactions

All related party transactions were made in the normal course of business with regular payment terms and have been recorded at the amounts agreed upon with the related parties.

The Company is related to its joint ventures. The accompanying table summarizes the joint ventures' transactions and period balances with AKITA:

	Three Months Ended		Nine Months Ended		Year Ended
$Thousands	**September 30, 2015**	September 30, 2014	**September 30, 2015**	September 30, 2014	December 31, 2014
Revenue	**$ -**	$ -	**$ 30**	$ 33	$ 33
Direct drilling costs	**926**	2,264	**4,100**	7,159	9,438
Selling and administrative costs	**103**	251	**454**	813	1,066
Period end accounts payable	**1,428**	4,731	**1,428**	4,731	4,626

16. Commitments and Contingencies

From time to time, the Company enters into drilling contracts with its customers that are for extended periods. At September 30, 2015, the Company had four rigs, including three joint venture rigs, with multi-year contracts. Of these contracts, two are anticipated to expire in 2016, one in 2018 and one in 2019.

The Company entered into two contracts with a related party to provide sponsorship and advertising at an annual cost of $325,000.

The Company leases its office space at an annual cost of approximately $810,000 per year. This lease expires on December 31, 2019.

At September 30, 2015, the Company had capital expenditure commitments of $1,199,000 (September 30, 2014 - $15,763,000 and December 31, 2014 – $5,988,000).

17. Accounting Changes Not Yet Adopted

Certain new or amended standards or interpretations have been issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee ("IFRIC") that are not required to be adopted in the current period. The Company has not early adopted these standards or interpretations. The standards which the Company anticipates may have a material effect on the consolidated financial statements or note disclosures are described below.

IFRS 15, "Revenue from Contracts with Customers", replaces the previous guidance on revenue recognition and provides a framework to determine when to recognize revenue and at what amount. The new standard is effective for annual periods beginning on or after January 1, 2018, and shall be applied retrospectively. The Company is currently evaluating the impact of the new standard on its financial statements.

IFRS 9, "Financial Instruments", amends its classification and measurement of financial assets and introduces a new expected loss impairment model. This standard is effective for annual periods beginning on or after January 1, 2018, and shall be applied retrospectively. The Company is currently evaluating the impact of the new standard on its financial statements.

There are no other standards and interpretations that have been issued, but are not yet effective, that the Company anticipates will have a material effect on the consolidated financial statements once adopted.

Corporate Information

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Corporate Director,
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Arthur C. Eastly
Corporate Director,
Calgary, Alberta

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President, Team Spruce Meadows Inc.
Chairman of the Board,
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Harish K. Mohan
Corporate Director,
Calgary, Alberta

Dale R. Richardson
Vice President,
Sentgraf Enterprises Ltd.,
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Karl A. Ruud
President and Chief Executive Officer, AKITA Drilling Ltd.,
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Nancy C. Southern
Chairman, President and Chief Executive Officer,
ATCO Ltd., Canadian Utilities Limited, and CU Inc.,
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Harry G. Wilmot
Corporate Director,
Calgary, Alberta

Charles W. Wilson
Corporate Director,
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Raymond T. Coleman
Vice President, Operations

Colin A. Dease
Corporate Secretary

Fred O. Hensel
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Craig W. Kushner
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1.800.387.0825

Share Symbol / TSX

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

Website

www.akita-drilling.com