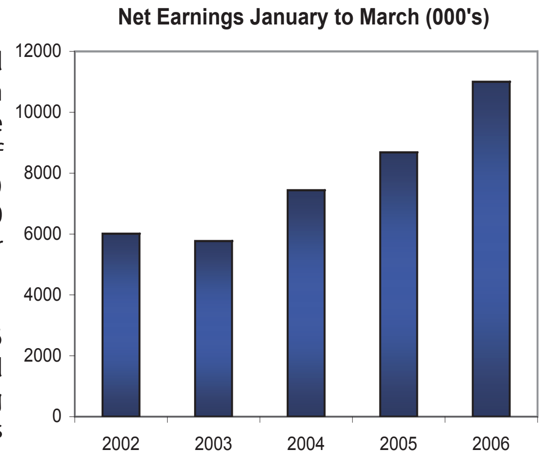
AKITA

FIRST QUARTERLY

Interim report for
3 months ended
March 31, 2006

Q1

To the Shareowners



AKITA Drilling Ltd.'s net earnings for the three months ended March 31, 2006 were $11,002,000 or $0.59 per share on revenue of $61,195,000. Comparative figures for 2005 were earnings of $8,685,000 or $0.47 per share on revenue of $49,889,000. Funds flow (named cash flow in prior reports) for the period was $16,519,000 compared to $13,531,000 in 2005. The earnings and funds flow are record results for any quarter for AKITA.

Strong market conditions that prevailed throughout 2005 continued into the first quarter of 2006, resulting in record contribution margins for all rig categories. Operating statistics for the first three months of 2006 and 2005 are as follows

		NUMBER OF RIGS GROSS	NUMBER OF RIGS NET	NUMBER OF WELLS DRILLED OR SERVICED	OPERATING DAYS (DRILLING)	OPERATING HOURS (SERVICING)
Canadian Drilling	2006	37	34.075	399	2,601	
	2005	37	34.075	335	2,444	
Canadian Well Servicing	2006	3	1.5	26		2,437
	2005	3	1.5	57		2,512
Alaskan Drilling	2006	1	0.5	2	70	
	2005	-	-	N/A	N/A	

On April 8, 2006, the Company's management and employees were recognized for the sixth time in the past seven years their achievement in safety by receiving a CAODC Safety Leadership Award at the 26th Annual CAODC Safety Banquet.

Demand for drilling rigs remains strong for rigs in all depth categories even though the onset of spring break-up was later than typical for most of western Canada. Despite the significant number of wells drilled over the winter, many customers continue to maintain a significant inventory of drilling prospects. Although some rigs will remain active during break-up, the start-up for most drilling and well servicing rigs in the south is dependent upon the sustained return of favourable weather conditions. Rigs located in the arctic regions of Canada and Alaska will not be working again until freeze-up, as is typical for rigs working in muskeg conditions. Demand for service rigs is also ahead of last year.

On behalf of the Board of Directors,

(signed) "Ronald D. Southern"

Ronald D. Southern
Chairman of the Board

(signed) "John B. Hlavka"

John B. Hlavka
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 three months ended March 31, 2006 and the audited financial statements and MD&A for the year ended December 31, 2005. References made to 2005 in this MD&A relate to the period from January 1 to March 31 unless otherwise stated. The information in this MD&A was approved by AKITA's Audit Committee on behalf of its Board of Directors on April 27, 2006 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 interim financial statements.

REVENUE AND OPERATING & MAINTENANCE EXPENSES

$Million

Three Months Ended March 31	**2006**	2005	Change	%
Revenue	**61.2**	49.9	11.3	23%
Operating & Maintenance Expenses	**34.5**	29.0	5.5	19%

Overall revenue increased to $61,195,000 during the first quarter of 2006 from $49,889,000 during the first quarter of 2005 as a result of stronger activity in the drilling sector. Revenue per operating day increased to $22,911 during the first quarter of 2006 from $20,413 per operating day in the first quarter of 2005, as a result of increased dayrates for AKITA's rigs not working under long-term contracts. Operating and maintenance costs vary directly with revenue and amounted to $34,527,000 or $12,927 per operating day during the first quarter of 2006 compared with $29,005,000 or $11,868 per operating day in the same period of the prior year.

DEPRECIATION EXPENSE

$Million

Three Months Ended March 31	**2006**	2005	Change	%
Depreciation Expense	**4.8**	4.2	0.6	14%

The depreciation expense increase to $4,762,000 during the first quarter of 2006 from $4,182,000 in the corresponding period in 2005 was attributable to a higher average cost base due to the addition of new rigs for AKITA's rig fleet combined with an increase in activity levels for deep rigs. AKITA's rigs are depreciated on a unit of production basis. Drilling rig depreciation accounted for 81% of total depreciation expense in the first quarter of 2006 (2005 - 81%).

SELLING & ADMINISTRATIVE EXPENSE

$Million

Three Months Ended March 31	**2006**	2005	Change	%
Selling & Admin Expense	**5.6**	3.7	1.9	52%

Selling and administrative expenses were 9.2% of total revenue in the first quarter of 2006 compared to 7.4% of total revenue in the first quarter of 2005. The single largest component was salaries and benefits, which accounted for 47% of these expenses (56% in 2005). In addition, the 2006 results included an $850,000 expense for a potentially uncollectible account. No corresponding expense occurred in the first quarter of 2005.

OTHER INCOME

$Million

Three Months Ended March 31	**2006**	2005	Change	%
Other Income	**0.5**	0.3	0.2	47%

There was no interest on long-term debt in 2006 as a result of eliminating loan balances. For the corresponding period in 2005, interest on long-term debt was $65,000. The Company invests any cash balances in excess of its ongoing operating requirements. Interest income increased to $384,000 from $213,000 in the corresponding period as a result of higher cash balances in 2006. The gain on sale of joint venture interests in rigs and other assets totalled $108,000 in 2006 compared to $187,000 in the first quarter of 2005. The Company also recorded an unrealized gain from foreign currency translation of $30,000 from its Alaskan operation. This is the first year of activity for that operation.

INCOME TAX EXPENSE

$Million

Three Months Ended March 31	**2006**	2005	Change	%
Current Tax Expense	**5.0**	3.9	1.1	28%
Future Tax Expense	**0.8**	0.8	0.0	0%

Total income tax expense increased to $5,820,000 in the first quarter of 2006 from $4,675,000 in the corresponding period in 2005 due to increased pre-tax earnings, which were partially offset by reduced tax rates.

NET EARNINGS AND FUNDS FLOW

$Million

Three Months Ended March 31	**2006**	2005	Change	%
Net Earnings	**11.0**	8.7	2.3	26%
Funds Flow From Operations	**16.5**	13.5	3.0	22%

Net earnings increased to $11,002,000 or $0.59 per Class A Non-Voting and Class B Common Share for the first quarter of 2006 from $8,685,000 or $0.47 per share in the first quarter of 2005. Funds flow from operations (named "cash flow from operations" in prior reports) increased to $16,519,000 in the first quarter of 2006 from $13,531,000 in the corresponding quarter in 2005. These results represented record earnings and funds flow from operations for any quarter for AKITA and were attributable to strong activity levels and record dayrates. Per share amounts have been retroactively restated to reflect 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.

FLEET AND RIG UTILIZATION

AKITA had 38 drilling rigs, including seven that operated under joint ventures, (34.58 rigs net to AKITA) in the first quarter of 2006 compared to 37 rigs (34.08 net) in the corresponding period of 2005. In the first quarter of 2006, AKITA achieved 2,671 operating days, which corresponded to a utilization rate of 78.1% for the period. During the comparative period in 2005, the Company achieved 2,444 operating days, representing 73.4% utilization.

In addition to drilling rigs, the Company also owns a 50% interest in three well servicing rigs. In the first quarter of 2006, AKITA achieved 2,437 operating hours with its service rigs compared to 2,512 operating hours in the comparative period in 2005. All rigs were fully committed throughout the quarter and the number of operating hours in each period was based upon the specific customers' work requirements in each period and was not indicative of a reduction in market opportunities.

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures totalled $4,959,000 in the first quarter of 2006. The Company has two heavy oil drilling rigs, one shallow capacity drilling rig and a custom designed arctic capability drilling rig under construction. Capital expenditures for the corresponding period in 2005 were $1,127,000.

At March 31, 2006, AKITA's balance sheet included working capital (current assets minus current liabilities) of $69,954,000 with no long-term debt outstanding compared to working capital of $51,745,000 including $2,578,000 as a current portion of long-term debt outstanding at March 31, 2005 and working capital of $59,499,000 including $4,400,000 of short-term bank borrowings at December 31, 2005. The seasonal nature of AKITA's business typically results in higher non-cash working capital requirements at the end of the first quarter than at year-end due to the high seasonal activity levels encountered in the first quarter.

During the first quarter of 2006, the Company repurchased 10,700 Class A Non-Voting shares at an average price of $23.93 per share pursuant to its normal course issuer bid.

Contractual obligations are substantially the same as described in AKITA's MD&A for the year ended December 31, 2005.

FUTURE OUTLOOK

Activity levels for rigs of all depth capacities are expected to remain strong for both spring and summer with wet weather expected to be the largest factor affecting drilling and well servicing rig utilization. AKITA's balanced fleet is well suited to respond to demand in any depth category. The very active oilfield services market is currently providing support for strong dayrates.

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 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.

CONSOLIDATED BALANCE SHEETS

($000's)	March 31 **2006**	March 31 2005	December 31 2005
	Unaudited	Unaudited	Audited
ASSETS			
Current assets			
Cash	**$ 38,486**	$ 29,867	$ 42,685
Accounts receivable	**56,602**	43,041	50,900
Other	**517**	942	98
	95,605	73,850	93,683
Investments	**55**	55	55
Capital assets	**106,279**	97,203	106,114
	$ 201,939	$ 171,108	$199,852
LIABILITIES			
Current liabilities			
Bank indebtedness	**$ -**	$ -	$ 4,400
Accounts payable and accrued liabilities	**22,223**	17,106	23,923
Income taxes payable	**3,428**	2,421	5,861
Current portion of long-term debt	**-**	2,578	-
	25,651	22,105	34,184
Future income taxes	**14,985**	13,877	14,200
Pension liability	**3,171**	2,913	3,102
CLASS A AND CLASS B SHAREHOLDERS' EQUITY			
Class A and Class B shares	**23,677**	23,636	23,540
Contributed surplus	**474**	410	483
Retained earnings	**133,981**	108,167	124,343
	158,132	132,213	148,366
	$ 201,939	$ 171,108	$199,852

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Unaudited
($000's except per share amounts)

	Three Months Ended March 31 2006	2005
REVENUE	**$ 61,195**	$ 49,889
COSTS AND EXPENSES		
Operating and maintenance	**34,527**	29,005
Depreciation	**4,762**	4,182
Selling and administrative	**5,606**	3,677
	44,895	36,864
OPERATING INCOME	**16,300**	13,025
OTHER INCOME (EXPENSE)		
Interest on long-term debt	**-**	(65)
Interest income	**384**	213
Gain on sale of joint venture interests in rigs and other assets	**108**	187
Unrealized gain on foreign currency translation	**30**	-
	522	335
EARNINGS BEFORE INCOME TAX	**16,822**	13,360
INCOME TAXES		
Current	**5,035**	3,911
Future	**785**	764
	5,820	4,675
NET EARNINGS	**11,002**	8,685
Retained earnings, beginning of period	**124,343**	100,871
Dividends	**(1,112)**	(1,025)
Adjustment on repurchase and cancellation of share capital	**(252)**	(364)
RETAINED EARNINGS, END OF PERIOD	**$ 133,981**	$ 108,167
EARNINGS PER CLASS A & CLASS B SHARE		
Basic	**$ 0.59**	$ 0.47
Diluted	**$ 0.59**	$ 0.46

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited
($000's)

	Three Months Ended March 31	
	2006	2005
OPERATING ACTIVITIES		
Net earnings	**$ 11,002**	$ 8,685
Non-cash items included in earnings		
Depreciation	**4,762**	4,182
Future income taxes	**785**	764
Expense for defined benefit pension plan	**69**	63
Stock options charged to expense	**9**	24
Gain on sale of joint venture interests in rigs	**(108)**	(187)
Funds flow from operations	**16,519**	13,531
Change in non-cash working capital	**(12,641)**	(7,790)
	3,878	5,741
INVESTING ACTIVITIES		
Capital expenditures	**(4,959)**	(1,127)
Proceeds on sale of joint venture interests in rigs	**140**	349
Change in non-cash working capital	**(244)**	177
	(5,063)	(601)
FINANCING ACTIVITIES		
Repayment of long-term debt	**-**	(1,395)
Dividends	**(1,112)**	(1,025)
Proceeds received on exercise of stock options	**123**	-
Repurchase of share capital	**(256)**	(397)
Change in non-cash working capital	**(1,769)**	92
	(3,014)	(2,725)
INCREASE (DECREASE) IN CASH	**(4,199)**	2,415
Cash position, beginning of period	**42,685**	27,452
CASH POSITION, END OF PERIOD	**$ 38,486**	$ 29,867
Interest paid during the period	**$ -**	$ 57
Income taxes paid during the period	**$ 7,480**	$ 3,015

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Periods ended March 31, 2006 and March 31, 2005
(Unaudited) (tabular amounts in thousands of dollars, except where noted)

1. STATEMENT PRESENTATION

The unaudited interim consolidated 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 statements are the same as those used in preparing the audited consolidated financial statements for the year ended December 31, 2005. The unaudited interim consolidated financial statements should be read along with the audited annual financial statements and notes to the statements in the Company's 2005 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.

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

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

	March 31, 2006	December 31, 2005
Class A Non-Voting	**16,896,958**	16,889,658
Class B Common	**1,654,284**	1,654,284
	18,551,242	18,543,942

As at March 31, 2005, a cumulative total of 200,000 stock options had been granted to directors and officers of the Company at exercise prices varying from $3.695 to $13.490, with expiry dates up to 2013. Of these stock options, 160,500 are exercisable for an average exercise price of $7.47.

3. EARNINGS PER SHARE

	Three Months Ended March 31			
		2006		2005
Net earnings	**$**	**11,002**	$	8,685
Weighted average outstanding shares - basic		**18,540,253**		18,636,768
Incremental shares for diluted earnings per share calculation		**133,307**		109,476
Basic earnings per share ($)	**$**	**0.59**	$	0.47
Diluted earnings per share ($)	**$**	**0.59**	$	0.46

CORPORATE INFORMATION

DIRECTORS

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

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

John B. Hlavka
President and Chief Executive Officer of the Company
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.
Chairman, 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., LL.D.
Chairman, ATCO Ltd. and Canadian Utilities Limited, Chairman of the Board of the Company
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

Craig W. Kushner
Corporate Secretary and Human Resources Administrator

Murray J. Roth
Vice President Finance

Karl A. Ruud
Executive Vice President and Chief Operating Officer

HEAD OFFICE

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BANKER

Alberta Treasury Branches
Calgary, Alberta

COUNSEL

Bennett Jones LLP
Calgary, Alberta

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