Interim report for 9 months ended September 30, 2008

To the Shareowners

AKITA Drilling Ltd.'s net earnings for the nine months ended September 30, 2008 were $12,826,000 ($0.70 per share) on revenue of $101,407,000. Comparative figures for 2007 were earnings of $14,373,000 ($0.79 per share) on revenue of $109,288,000. Funds flow from continuing operations for the period was $25,332,000 compared to $27,852,000 in 2007.

Earnings for the three months ended September 30, 2008 were $3,681,000 ($0.20 per share) on revenue of $33,747,000 compared to $2,196,000 ($0.12 per share) on revenue of $29,804,000 for the corresponding period in 2007. Funds flow from continuing operations for the quarter ended September 30, 2008 was $7,723,000 compared to $6,136,000 in the corresponding quarter in 2007.

Although still low, AKITA's drilling activity showed some improvement in the third quarter, particularly for medium and deep capacity rigs. Operating statistics for the first nine months of 2008 and 2007 are as follows:

		Number of Rigs		Number of Wells Drilled	Operating Days
		Gross	Net		
Canadian Operations	**2008**	**37**	**34.725**	**640**	**4,666**
	2007	39	35.575	697	4,558
U.S. Operations	**2008**	**3**	**1.5**	**2**	**122**
	2007	3	1.5	3	131
Total	**2008**	**40**	**36.225**	**642**	**4,788**
	2007	42	37.075	700	4,689

During the third quarter, AKITA entered into a multi-year contract with a major customer and is currently performing upgrades on two of its rigs in order to fulfil this obligation. In addition, AKITA currently has 95% of its rigs booked for upcoming winter work, although not all of these upcoming projects may span the entire season. Nevertheless, management remains cautious in its expectations, particularly as a consequence of recent significant declines in crude oil and natural gas prices and the unprecedented events that are taking place in the world capital markets.

On behalf of the Board of Directors,

Linda A. Heathcott
Chairman of the Board

John B. Hlavka
Chief Executive Officer

Management's Discussion & Analysis

Management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements for the nine months ended September 30, 2008 and the audited consolidated financial statements and MD&A for the year ended December 31, 2007. References made to 2007 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 October 30, 2008 and incorporates all relevant considerations to that date.

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

Cyclical and Seasonal Nature of AKITA's Operations

The drilling sector ranks as one of the most competitive areas of business of the oil and gas industry. As a service industry, its activities are directly affected by its customers' exploration and development efforts which, in turn, are significantly affected by world energy prices and government policies.

Historically, AKITA has generally exceeded industry average rig utilization as a result of customer relations, employee expertise, equipment quality and drilling performance. Western Canadian drilling utilization, which is at a 10 year cyclical low, is summarized in the following table:

Utilization expressed in percentages	AKITA	Industry (1)
2007	**40.9**	37.0
2006	**56.6**	55.1
2005	**59.3**	58.8
2004	**52.2**	52.9
2003	**54.7**	53.1
2002	**46.8**	39.2
2001	**56.9**	53.0
2000	**60.0**	55.2
1999	**49.9**	39.7
1998	**53.8**	44.9
10 year annual average	**53.1**	48.9

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

Once AKITA's utilization rates recover to more typical levels, even relatively small increases can have a significant positive financial impact on AKITA's performance.

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 strongest in the drilling industry. Lower activity levels that result from warmer weather which necessitates travel bans on public roads, characterize the second quarter. In 2008, the negative effects of spring break-up were exacerbated by having an extended period of wet weather which, in turn, resulted in many wells being delayed. Utilization recovered somewhat in the third quarter of 2008 compared to the corresponding period in 2007 and was led by increased demand for medium and deep capacity rigs.

The following table summarizes third quarter and year-to-date utilization for AKITA and the Western Canadian drilling industry for 2007 and 2008:

Utilization expressed in percentages	Three Months Ended September 30		Nine Months Ended September 30	
	AKITA	Industry (1)	**AKITA**	Industry (1)
2008	**47.6**	47.5	**42.9**	41.1
2007	**37.2**	30.7	**42.1**	37.9

(1) Source: CAODC

Revenue and Operating and Maintenance Expenses

$Million	Three Months Ended September 30				Nine Months Ended September 30			
	2008	2007	Change	% Change	**2008**	2007	Change	% Change
Revenue	**33.7**	29.8	3.9	13%	**101.4**	109.3	(7.9)	(7%)
Operating & Maintenance Expenses	**21.0**	19.5	1.5	8%	**61.7**	65.0	(3.3)	(5%)

Overall revenue decreased to $101,407,000 during the first nine months of 2008 compared to $109,288,000 during the first nine months of 2007 as a result of continuing weak activity for oilfield drilling and well services, particularly in the first six months of the year. Although this represented the second consecutive year of "year-over-year" declines in revenue for AKITA, overall, on a 10 year historical basis, revenue for the January to September period has grown at a compound rate of 7.2%. Revenue per operating day decreased to $21,362 during the first nine months of 2008 from $23,392 per operating day in the corresponding nine month period of 2007. This decrease was directly attributable to lower day rates for AKITA's rigs. Operating and maintenance costs are also tied to activity levels and amounted to $61,688,000 or $12,995 per operating day during the first nine months of 2008 compared to $65,038,000 or $13,921 per operating day in the corresponding period of the prior year. As a result of weak market activity, revenue per operating day results decreased by a wider margin ($2,030 per operating day) than the related operating and maintenance costs of $926 per operating day.

During the third quarter of fiscal 2008, overall revenue increased to $33,747,000 compared to $29,804,000 during the corresponding period in 2007 due to an increase in activity levels compared to one year ago. Nevertheless, on a "per operating day" basis, third quarter revenue decreased to $19,273 in 2008 compared to $20,755 per day in 2007, mainly as a result of weak market conditions. Operating and maintenance costs for the third quarter amounted to $20,970,000 or $11,976 per operating day during 2008 compared to $19,468,000 or $13,921 per operating day for 2007.

In 2006, the Company entered into a multi-year daywork contract for the provision of drilling services which includes certain pre-payment requirements. Additionally, from time to time, the Company receives pre-payment for work not yet performed. As a result of these two factors, the Company has recorded $1,888,000 at September 30, 2008 as deferred revenue in accordance with its revenue recognition policy (September 30, 2007 - $783,000).

Depreciation Expense

$Million	Three Months Ended September 30				Nine Months Ended September 30			
	2008	2007	Change	% Change	**2008**	2007	Change	% Change
Depreciation Expense	**3.9**	3.7	0.2	5%	**12.6**	11.1	1.5	14%

The depreciation expense increase to $12,562,000 during the first nine months of 2008 from $11,136,000 in the corresponding period in 2007 was attributable to a higher average cost base due to the addition of new rigs to AKITA's rig fleet, a reduction in activity levels for low cost base rigs and a slight increase in drilling activity. AKITA's rigs are depreciated on a unit of production basis. Drilling rig depreciation accounted for 71% of total depreciation expense in the first nine months of 2008 (2007 - 73%).

Selling and Administrative Expense

$Million	Three Months Ended September 30				Nine Months Ended September 30			
	2008	2007	Change	% Change	**2008**	2007	Change	% Change
Selling & Administrative Expense	**4.1**	3.6	0.5	14%	**13.0**	12.1	0.9	7%

Selling and administrative expenses were 12.8% of total revenue in the first nine months of 2008 compared to 11.2% of total revenue in the corresponding nine month period of 2007, largely as a result of decreased revenue in 2008 and the one-time recognition of stock option expense related to the cancellation of stock options. During the second quarter of 2008, the Company cancelled 229,000 stock options resulting in a one-time non cash increase of $1,000,000 in selling and administrative expense and a corresponding increase in contributed surplus. As required by Canadian Generally Accepted Accounting Principles (GAAP), this is an accelerated expense of $1,000,000 for the remaining unrecognized value of the cancelled stock options and is reflected in the quarter in which it occurred rather than over the remaining term of the options.

The single largest component of Selling and Administrative Expense was salaries and benefits, which over the year-to-date period accounted for 56% of these expenses (55% in 2007).

Other Income (Expense)

$Million	Three Months Ended September 30				Nine Months Ended September 30			
	2008	2007	Change	% Change	**2008**	2007	Change	% Change
Interest Income	**0.5**	0.4	0.1	25%	**1.5**	1.2	0.3	25%
Gain on Sale of Joint Venture Interests and Other Assets	**0.0**	0.1	(0.1)	N/A	**0.7**	0.2	0.5	250%
Gain (Loss) on Foreign Currency Translation	**0.1**	(0.2)	0.3	N/A	**0.1**	(0.8)	0.9	N/A

The Company invests any cash balances in excess of its ongoing operating requirements in bank guaranteed highly liquid investments. During the first nine months of 2008, interest income increased to $1,456,000 from $1,233,000 in the corresponding period in 2007 as a result of higher cash balances in the current year. The gain on sale of joint venture interests in rigs and other assets totalled $696,000 in 2008, compared to $196,000 in the first nine months of 2007. In the first nine months of 2008, due to the decreased value of the Canadian dollar, the Company recorded a gain from foreign currency translation of $94,000 from its United States operations, compared to a loss from foreign currency translation of $825,000 in the first nine months of 2007.

Income Tax Expense

$Million	Three Months Ended September 30				Nine Months Ended September 30			
	2008	2007	Change	% Change	**2008**	2007	Change	% Change
Current Tax Expense	**1.6**	1.0	0.6	60%	**4.3**	5.3	(1.0)	(19%)
Future Tax Expense	**0.0**	0.1	(0.1)	N/A	**1.1**	1.7	(0.6)	(35%)

Income tax expense decreased to $5,412,000 in the first nine months of 2008 from $7,058,000 in the corresponding period in 2007, due to lower pre-tax earnings, as well as a reduced income tax rate for general income items, excluding the one-time charge for stock option cancellation expense, which is not subject to tax deductibility.

Discontinued Operations

$Million	Three Months Ended September 30				Nine Months Ended September 30			
	2008	2007	Change	% Change	**2008**	2007	Change	% Change
Gain on Disposals	**0.0**	0.0	0.0	N/A	**1.9**	0.0	1.9	N/A
Discontinued Operations	**0.0**	(0.2)	0.2	N/A	**(0.1)**	(0.2)	0.1	50%

In May, 2008, the Company sold one drilling rig (0.55 net to AKITA), which represented substantially all of the assets for the Akita Sahcho and Akita Kaska Joint Ventures. In June, 2008, the Company sold its well servicing business which included three well servicing rigs (1.5 net to AKITA), which represented substantially all of the assets for the Western Oilfield Servicing Joint Venture. Proceeds from these sales totalled $8,150,000 ($4,375,000 net to AKITA) and resulted in an after tax gain of $1,941,000 to the Company.

In both of the above noted disposals, the assets sold were considered as “non-core” and “underperforming”. Comparative 2007 results of the operations related to these businesses have been retroactively reclassified as discontinued operations.

Net Earnings and Funds Flow

$Million	Three Months Ended September 30				Nine Months Ended September 30			
	2008	2007	Change	% Change	**2008**	2007	Change	% Change
Net Earnings	**3.7**	2.2	1.5	68%	**12.8**	14.4	(1.6)	(11%)
Funds Flowing from Continuing Operations (1)	**7.7**	6.1	1.6	26%	**25.3**	27.8	(2.5)	(9%)

(1) See commentary regarding Non-GAAP Measure

During the three months ended September 30, 2008 earnings increased to $3,681,000 or $0.20 per Class A Non-Voting and Class B Common share ($0.20 diluted earnings per share) compared to $2,196,000

($0.12 basic and diluted earnings per share) for the corresponding period in 2007. Quarterly funds flow from continuing operations increased to $7,723,000 for the three months ended September 30, 2008 compared to $6,136,000 for the corresponding period in 2007.

Net earnings decreased to $12,826,000 or $0.70 per Class A Non-Voting and Class B Common share ($0.70 diluted earnings per share) for the first nine months of 2008 compared to $14,373,000 or $0.79 per share ($0.78 diluted earnings per share) in the corresponding period in 2007. Funds flow from continuing operations decreased to $25,332,000 in the first nine months of 2008 compared to $27,852,000 in the corresponding period in 2007.

During the second quarter of 2008, the Company cancelled 229,000 stock options resulting in a one-time non cash increase of $1,000,000 in selling and administrative expense and a corresponding increase in contributed surplus.

Current year-to-date results were primarily negatively affected by weak market conditions. Some "year-over-year" increases in drilling activity did occur in the third quarter of 2008 compared to the corresponding period in 2007, but these improvements were not sufficient to have a positive impact on overall drilling rates per day. As well, wet weather was more prevalent in the second quarter of 2008 than in the corresponding period in 2007. Waiting for roads and land leases to dry sufficiently to enable the movement of heavy equipment resulted in significant downtime and contributed to the relatively weaker financial performance.

Fleet and Rig Utilization

AKITA had 40 drilling rigs, including nine that operated under joint ventures, (36.225 net to AKITA) at the end of the third quarter of 2008, compared to 42 rigs (37.075 net) in the corresponding period of 2007. During 2008, one rig was removed from service in the first quarter while a second rig was sold in the second quarter. In the first nine months of 2008, AKITA achieved 4,788 operating days, which corresponded to a utilization rate of 42.9% for the period. During the comparative period in 2007, the Company achieved 4,689 operating days, which corresponded to a utilization rate of 42.1%. In the third quarter of 2008, AKITA achieved 1,751 operating days, which corresponded to a utilization rate of 47.6% for the period. In the third quarter of 2007, the Company achieved 1,436 operating days, representing 37.2% utilization.

In June, 2008 the Company disposed of its joint venture fleet of three service rigs (1.5 net to AKITA).

At the end of the second quarter, the Company re-deployed one of its rigs from Alaska to Colorado. This marks the first time AKITA has entered into a market south of Canada.

Liquidity and Capital Resources

The Company typically maintains a conservative balance sheet due to the cyclical nature of the industry. Accordingly, the balance sheet generally includes significant cash balances to provide a potential safeguard in the event of a downturn. These cash balances also enhance the Company's ability to finance strategic growth opportunities as they become available.

Capital expenditures totalled $9,861,000 in the first nine months of 2008. Capital expenditures for the corresponding period in 2007 were $31,531,000 and included costs related to the construction of two heavy oil pad rigs.

At September 30, 2008, AKITA's balance sheet included working capital (current assets minus current liabilities) of $65,225,000 compared to working capital of $53,098,000 at September 30, 2007 and working capital of $49,123,000 at December 31, 2007. The seasonal nature of AKITA's business typically affects non-cash working capital balances from quarter to quarter. Accounts receivable, and to a lesser extent accounts payable balances, have the greatest impact on non-cash working capital balances.

During 2007, the Company guaranteed bank loans made to joint venture partners totalling $4.5 Million for a period of four years. The Company has provided an assignment of monies on deposit totalling $5 Million with respect to these loans, which have been classified as "restricted cash" on the balance sheet. The Company's security from its partners for these guarantees includes interests in specific rig assets.

On August 5, 2008, AKITA renewed its normal course issuer bid for the purchase of up to 3% of the outstanding Class A Non-Voting shares. To September 30, 2008, 27,000 shares have been repurchased and cancelled pursuant to the normal course issuer bid at a cost of $327,000 of which $35,000 was charged to share capital and $292,000 to retained earnings. During the first nine months of 2007, AKITA repurchased and cancelled 55,300 shares at a cost of $928,000. The current bid expires on August 4, 2009.

From time to time, the Company may finance certain activities with the use of long-term debt. During the past 10 year period, the Company borrowed $40 Million of long-term debt to help finance the construction of certain drilling rigs. The Company did not have any long-term debt during 2007 or 2008.

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 requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, repurchase or issue new shares, sell assets or take on long-term debt. Since 1998, dividend rates have increased seven times with no decreases.

As well, during the 10 year period since 1998, AKITA repurchased 1,855,500 Class A Non-Voting shares through normal course issuer bids, issued 430,000 Class A Non-Voting shares upon exercise of stock options and issued 666,700 Class A Non-Voting shares upon conversion of preferred shares.

Contractual obligations are substantially the same as described in AKITA's MD&A for the year ended December 31, 2007.

Summary of Quarterly Results

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

$Thousands, except per share Three Months Ended	Mar. 31	June 30	Sept. 30	Dec. 31
2008				
Revenue	**48,126**	**20,278**	**33,747**	
Net earnings	**7,647**	**1,498**	**3,681**	
Basic earnings per share ($)	**0.42**	**0.08**	**0.20**	
Diluted earnings per share ($)	**0.42**	**0.08**	**0.20**	
Cash flow from operations	**(1,325)**	**19,815**	**(6,342)**	
2007				
Revenue	52,170	27,315	29,804	32,763
Net earnings	9,087	3,091	2,196	6,378
Basic earnings per share ($)	0.50	0.17	0.12	0.35
Diluted earnings per share ($)	0.50	0.16	0.12	0.35
Cash flow from operations	(11,120)	26,074	6,647	17,275
2006				
Revenue	61,195	32,929	38,856	41,563
Net earnings	11,002	7,548	6,850	8,355
Basic earnings per share ($)	0.59	0.41	0.37	0.46
Diluted earnings per share ($)	0.59	0.40	0.37	0.45
Cash flow from operations	3,878	27,825	4,798	24,651

Future Outlook

A slow but steady increase in the number of AKITA's rigs working should occur in the period leading up to this winter. This improvement should be led by rigs drilling for deeper targets or drilling pad locations. In the near-term, only limited opportunities are available for shallow capacity rigs.

As of the time of this report, 95% of AKITA's rigs are booked for the upcoming winter, although not all of these upcoming projects may span the entire season. In addition, the Company is currently upgrading two of its rigs for longer term programs that include multi-year commitments. These positive factors should be considered in the context of the following major events that increase the risk of obtaining the level of recovery in drilling activity anticipated as recently as one quarter ago. First, significant declines have occurred in the commodity prices for crude oil and natural gas since the previous quarterly report. As well, the current global financial crisis may manifest itself in a number of ways including restricting financing capacity for a number of AKITA's customers to an extent not previously envisioned.

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRSs"). In

February 2008, the AcSB confirmed a convergence date of January 1, 2011 for the adoption of IFRS. In May 2008, the Canadian Securities Administrators issued a Staff Notice indicating that domestic issuers may be permitted early adoption of IFRS. The Company is continuing to monitor and assess the impact and timing alternatives related to the convergence of Canadian GAAP and IFRS but recognizes that the change will be a significant undertaking that may materially affect the Company's reported financial position and results of operations.

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 legislation and 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.

Non-GAAP Measure

Funds flow from operations is not a recognized measure under generally accepted accounting principles (GAAP). AKITA's method of determining funds flow from operations may differ from methods used by other companies and involves including operating cash flow before discontinued operations and 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. The following table reconciles funds flow and cash flow from operations:

$Thousands	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	**2008**	2007
Funds flow from continuing operations	**7,723**	6,136	**25,332**	27,852
Cash provided by discontinued operations	**-**	(16)	**24**	(49)
Change in non-cash working capital	**(14,065)**	527	**(13,208)**	(6,202)
Cash flow from operations	**(6,342)**	6,647	**12,148**	21,601

Consolidated Balance Sheets

Unaudited		September 30		December 31
($000's of Canadian Dollars)		**2008**	2007	2007
ASSETS				
Current assets				
Cash		**$ 46,316**	$ 38,778	$ 43,166
Accounts receivable		**35,808**	26,604	22,505
Other		**1,498**	651	272
		83,622	66,033	65,943
Restricted cash		**5,000**	-	5,000
Capital assets		**147,642**	149,079	152,579
		$ 236,264	$ 215,112	$ 223,522
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**$ 12,941**	$ 10,722	$ 13,051
Dividends payable		**1,278**	1,279	1,279
Income taxes payable		**2,290**	151	873
Deferred revenue		**1,888**	783	1,617
		18,397	12,935	16,820
Future income taxes		**16,199**	15,749	15,055
Pension liability		**3,805**	3,563	3,609
CLASS A AND CLASS B SHAREHOLDERS' EQUITY				
Class A and Class B shares	Note 2	**23,334**	23,369	23,369
Contributed surplus		**2,271**	1,036	1,110
Retained earnings		**172,258**	158,460	163,559
		197,863	182,865	188,038
		$ 236,264	$ 215,112	$ 223,522

Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings

Unaudited ($000's of Canadian Dollars, except per share amounts)		Three Months Ended September 30		Nine Months Ended September 30	
		2008	2007	**2008**	2007
REVENUE		**$ 33,747**	$ 29,804	**$101,407**	$ 109,288
COSTS AND EXPENSES					
Operating and maintenance		**20,970**	19,468	**61,688**	65,038
Depreciation		**3,935**	3,662	**12,562**	11,136
Selling and administrative		**4,079**	3,610	**13,026**	12,061
		28,984	26,740	**87,276**	88,235
Revenue less costs and expenses		**4,763**	3,064	**14,131**	21,053
OTHER INCOME (EXPENSE)					
Interest income		**479**	449	**1,456**	1,233
Gain on sale of joint venture interests in rigs and other assets		**32**	62	**696**	196
Gain (loss) on foreign currency translation		**52**	(208)	**94**	(825)
		563	303	**2,246**	604
EARNINGS BEFORE INCOME TAXES		**5,326**	3,367	**16,377**	21,657
INCOME TAXES					
Current		**1,612**	970	**4,268**	5,325
Future		**33**	123	**1,144**	1,733
		1,645	1,093	**5,412**	7,058
EARNINGS FROM CONTINUING OPERATIONS		**3,681**	2,274	**10,965**	14,599
Gain on disposal from discontinued operations, net of tax	Note 7	**-**	-	**1,941**	-
Discontinued operations, net of tax	Note 7	**-**	(78)	**(80)**	(226)
NET EARNINGS AND COMPREHENSIVE INCOME		**3,681**	2,196	**12,826**	14,373
Retained earnings, beginning of period		**170,146**	157,618	**163,559**	148,781
Dividends declared		**(1,277)**	(1,273)	**(3,835)**	(3,838)
Adjustment on repurchase and cancellation of share capital		**(292)**	(81)	**(292)**	(856)
RETAINED EARNINGS, END OF PERIOD		**$172,258**	$158,460	**$172,258**	$158,460
Earnings per Class A & Class B Share from continuing operations	Note 3				
Basic		**$ 0.20**	$ 0.12	**$ 0.60**	$ 0.80
Diluted		**$ 0.20**	$ 0.12	**$ 0.60**	$ 0.79
Earnings per Class A & Class B Share	Note 3				
Basic		**$ 0.20**	$ 0.12	**$ 0.70**	$ 0.79
Diluted		**$ 0.20**	$ 0.12	**$ 0.70**	$ 0.78

Consolidated Statements of Cash Flow

Unaudited ($000's of Canadian Dollars)		Three Months Ended September 30 **2008**	 2007	Nine Months Ended September 30 **2008**	 2007
OPERATING ACTIVITIES					
Earning from continuing operations		**$ 3,681**	$ 2,274	**$10,965**	$ 14,599
Non-cash items included in earnings from continuing operations					
Depreciation		**3,935**	3,662	**12,562**	11,136
Future income taxes		**33**	123	**1,144**	1,733
Expense for defined benefit pension plan		**65**	65	**196**	196
Stock options charged to expense		**41**	74	**1,161**	384
Gain on sale of joint venture interests in rigs and other assets		**(32)**	(62)	**(696)**	(196)
Funds flow from continuing operations		**7,723**	6,136	**25,332**	27,852
Cash provided from (to) discontinued operations	Note 7	**-**	(16)	**24**	(49)
Change in non-cash working capital		**(14,065)**	527	**(13,208)**	(6,202)
		(6,342)	6,647	**12,148**	21,601
INVESTING ACTIVITIES					
Capital expenditures		**(5,779)**	(5,973)	**(9,861)**	(31,531)
Proceeds on sale of joint venture interests in rigs and other assets		**119**	4,740	**1,259**	4,911
Proceeds on sale of discontinued assets	Note 7	**-**	-	**3,510**	-
Change in non-cash working capital		**211**	(898)	**243**	(1,358)
		(5,449)	(2,131)	**(4,849)**	(27,978)
FINANCING ACTIVITIES					
Dividends paid		**(1,277)**	(1,273)	**(3,835)**	(3,838)
Repurchase of share capital		**(327)**	(88)	**(327)**	(928)
Change in non-cash working capital		**13**	(6)	**13**	(6)
		(1,591)	(1,367)	**(4,149)**	(4,772)
INCREASE (DECREASE) IN CASH		**(13,382)**	3,149	**3,150**	(11,149)
Cash position, beginning of period		**59,698**	35,629	**43,166**	49,927
CASH POSITION, END OF PERIOD		**$46,316**	$ 38,778	**$46,316**	$ 38,778
Interest paid during the period		**$ 8**	$ 14	**$ 15**	$ 53
Income taxes paid during the period		**$ 1,199**	$ 1,964	**$ 3,687**	$ 11,021

Notes to Consolidated Financial Statements

Periods ended September 30, 2008 and September 30, 2007
(Unaudited, Tabular Amounts in Thousands of Canadian Dollars)

1. Statement Presentation

The unaudited interim consolidated financial statements were prepared by the Company in accordance with Canadian Generally Accepted Accounting Principles and include the accounts of AKITA Drilling Ltd., its subsidiaries and a proportionate share of its joint ventures (consisting of drilling and well servicing rigs). The accounting policies and procedures used in assembling these interim consolidated financial statements are the same as those used in preparing the audited consolidated financial statements for the year ended December 31, 2007 except as described in Notes 4 and 5 below. The unaudited interim consolidated financial statements should be read along with the audited annual consolidated financial statements and notes to the audited annual consolidated financial statements in the Company's 2007 Annual Report. Certain information and disclosures normally required to be included in notes to the annual consolidated financial statements have been condensed or omitted. Due to the seasonality of the industry, the operating and financial results for the interim period covered do not necessarily reflect overall results which may be achieved in the fiscal year.

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:

(Number of shares)	**September 30, 2008**	September 30, 2007	December 31, 2007
Class A Non-Voting	**16,585,958**	16,612,958	16,612,958
Class B Common	**1,654,284**	1,654,284	1,654,284
	18,240,242	18,267,242	18,267,242

On June 2, 2008, the Company cancelled 229,000 stock options having exercise prices of $22.25 to $22.48 per option. This resulted in a one-time non cash increase of $1,000,000 ($840,000 net of future income taxes) in selling and administrative expense and a corresponding increase in contributed surplus. As required by Canadian Generally Accepted Accounting Principles (GAAP), this is an accelerated expense of $1,000,000 for the remaining unrecognized value of the cancelled stock options and is reflected in the quarter in which it occurred rather than over the remaining term of the options.

As at September 30, 2008, a cumulative total of 182,000 stock options were outstanding to directors and officers of the Company at exercise prices varying from $3.695 to $13.490, with expiry dates up to 2014. Of these stock options, 165,500 are exercisable for an average exercise price of $8.17.

On August 5, 2008, AKITA renewed its normal course issuer bid for the purchase of up to 3% of the outstanding Class A Non-Voting shares. To September 30, 2008, 27,000 shares have been repurchased and cancelled pursuant to the normal course issuer bid at a cost of $327,000 of which $35,000 was charged to share capital and $292,000 to retained earnings. During the first nine months of 2007, AKITA repurchased and cancelled 55,300 shares at a cost of $928,000. The current bid expires on August 4, 2009.

3. Earnings per Share

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2008	2007	**2008**	2007
Net earnings (Dollars in thousands)	**$ 3,681**	$ 2,196	**$ 12,826**	$ 14,373
Weighted average outstanding shares - basic	**18,259,839**	18,269,212	**18,264,756**	18,278,745
Incremental shares for diluted earnings per share calculation	**57,687**	88,910	**62,916**	92,058
Basic earnings per share from continuing operations ($)	**$ 0.20**	$ 0.12	**$ 0.60**	$ 0.80
Diluted earnings per share from continuing operations ($)	**$ 0.20**	$ 0.12	**$ 0.60**	$ 0.79
Basic earnings per share ($)	**$ 0.20**	$ 0.12	**$ 0.70**	$ 0.79
Diluted earnings per share ($)	**$ 0.20**	$ 0.12	**$ 0.70**	$ 0.78

4. Capital Disclosures

The Company has determined capital to include long-term debt ($Nil at December 31, 2007 and September 30, 2008) and shareholders' equity. 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 requirements.

The Company manages the capital structure and makes adjustments to it in the 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 or sell assets.

5. Financial Instruments

The Company's financial assets and liabilities include cash and cash equivalents, restricted cash, accounts receivable and accounts payable. During the year, the Company did not hold or issue any derivative financial instruments. Fair values approximate carrying values unless otherwise stated. The Company has adopted the following classification for financial assets and liabilities:

- Cash is classified as "Held for Trading"
- Cash equivalents and restricted cash are classified as "Held to Maturity"
- Accounts receivable are classified as "Loans and Receivables"

Accounts payable and accrued liabilities are classified as "Other Financial Liabilities".

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 potentially, liquidity risk. In addition, the Company is indirectly exposed to interest rate risk since the Company is typically non-borrowing and is generally directly exposed to fluctuations in interest rates through its investment in bank guaranteed highly liquid investments. The Company is also indirectly exposed to commodity risk relating to commodity prices due to the industry in which it works.

Credit Risk

The credit risk associated with accounts receivable is generally considered to be low since substantially all counterparties are well established and financed oil and gas companies. Provisions have been estimated by management and included in the accounts to recognize potential bad debts.

The table of accounts receivable below shows no significant credit risk exposure in the balances outstanding at:

($Thousands)	**Sept. 30, 2008**	Sept. 30, 2007	December 31, 2007
Within 30 days	**$ 25,711**	$ 18,006	$ 18,546
31 to 60 days	**7,531**	6,829	3,774
61 to 90 days	**2,497**	1,360	158
Over 90 days	**137**	562	183
Allowance for doubtful accounts	**(68)**	(153)	(156)
Accounts receivable	**$ 35,808**	$ 26,604	$ 22,505

Foreign Currency Risk

The Company is exposed to changes in foreign exchange rates as revenues, capital expenditures or financial instruments may fluctuate due to changing rates. At September 30, 2008 and December 31, 2007, AKITA's exposure was limited substantially to its operations in the United States, which constituted less than 10% of its total business.

Liquidity Risk

The Company is potentially exposed to liquidity risk through its working capital balance. At September 30, 2008 and December 31, 2007, this risk was limited due to having cash balances significantly in excess of total current liabilities.

As of January 1, 2008, the Company adopted CICA Handbook Section 1400 "Going Concern" which requires management to make an assessment of an entity's ability to continue as a going concern. The Company has evaluated the impact of this new standard on its consolidated financial statements and determined that no additional disclosures are required at this time.

6. Segmented Information

The Company operates in one business segment that includes providing oil and gas well drilling and well servicing (previously) for its customers. Results for the past two years, as stated in Canadian dollars, are as follows:

($Thousands)	Domestic		United States		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
Three Months Ended Sept. 30						
Revenue	**$ 31,070**	$ 28,465	**$ 2,677**	$ 1,499	**$ 33,747**	$ 29,804
Net earnings	**$ 2,925**	$ 1,918	**$ 756**	$ 278	**$ 3,681**	$ 2,196
Nine Months Ended Sept. 30						
Revenue	**$ 93,113**	$ 100,750	**$ 8,294**	$ 9,432	**$ 101,407**	$ 109,288
Net earnings	**$ 10,187**	$ 12,187	**$ 2,639**	$ 2,187	**$ 12,826**	$ 14,373

7. Discontinued Operations

In May, 2008, the Company sold one drilling rig (0.55 net to AKITA), which represented substantially all of the assets for the Akita Sahcho and Akita Kaska joint ventures. In June, 2008, the Company sold its well servicing business which included three well servicing rigs (1.5 net to AKITA), which represented substantially all of the assets for Western Oilfield Servicing. Proceeds from these sales totalled $8,150,000 ($4,375,000 net to AKITA) and resulted in an after tax gain of $1,941,000 to the Company.

Comparative 2007 results of the operations related to these businesses have been retroactively reclassified as discontinued operations

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2008	2007	**2008**	2007
Revenue	**$ 0**	$ 160	**$ 795**	$ 894
Costs and expenses				
Operating and maintenance	**0**	142	**554**	734
Depreciation	**0**	62	**104**	176
Selling and administrative	**0**	60	**247**	286
Loss from discontinued operations before income taxes	**0**	(104)	**(110)**	(302)
Provisions for income taxes	**0**	(26)	**(30)**	(77)
Loss from discontinued operations	**$ 0**	$ (78)	**$ (80)**	$ (225)

The following table provides a reconciliation of the cash flow impacts from discontinued operations:

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2008	2007	**2008**	2007
Loss from discontinued operations	**$ 0**	$ (78)	**$ (80)**	$ (225)
Non-cash item included in earnings from discontinued operations				
Depreciation	**0**	62	**104**	176
Funds flow from discontinued operations	**$ 0**	$ (16)	**$ 24**	$ (49)
Proceeds on sale of discontinued assets before income taxes	**$ 0**	$ 0	**$ 4,375**	$ 0
Provision for income taxes	**0**	0	**(865)**	0
Proceeds on sale of discontinued assets	**$ 0**	$ 0	**$ 3,510**	$ 0

Corporate Information

Directors

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

Loraine M. Charlton
Corporate Director
Calgary, Alberta

Arthur C. Eastly
Corporate Director
Calgary, Alberta

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

John B. Hlavka
Chief Executive Officer
of the Company
Calgary, Alberta

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

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

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

C. Perry Spitznagel
Vice Chairman and Managing Partner
(Calgary), Bennett Jones LLP
Calgary, Alberta

Charles W. Wilson
Corporate Director
Evergreen, Colorado

Officers

John B. Hlavka
Chief Executive Officer

Fred O. Hensel
Vice President,
Marketing for the South

Lou C. Klaver, P.Eng.
Vice President, Engineering

Craig W. Kushner
Corporate Secretary and
Human Resources Administrator

John M. Pahl
Vice President,
Marketing for the North

Murray J. Roth
Vice President, Finance and Chief
Financial Officer

Karl A. Ruud
President and Chief Operating Officer

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Banker

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Counsel

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Auditors

PricewaterhouseCoopers LLP
Calgary, Alberta

Registrar and Transfer Agent

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

Share Symbol / TSX

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

Website

www.akita-drilling.com