

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1 Name and Address of Company

CanElson Drilling Inc. ("CanElson")
700, 808 – 4th Avenue SW
Calgary, Alberta T2P 3E8

Item 2 Date of Material Change

February 23, 2010

Item 3 News Release

Two press releases regarding the material change were disseminated on February 23, 2011 via Marketwire.

Item 4 Summary of Material Change

CanElson announced that it has entered into an agreement with a syndicate of underwriters led by Peters & Co. Limited and including Stifel Nicolaus Canada Inc., HSBC Securities (Canada) Inc., Lightyear Capital Inc. and Wellington West Capital Markets Inc. (the "**Underwriters**") pursuant to which the Underwriters have agreed to purchase on a "bought deal" basis 8.1 million common shares ("**Common Shares**") of CanElson at a price of \$4.35 per Common Share (the "**Issue Price**") for aggregate gross proceeds of approximately \$35.2 million (the "**Offering**"). CanElson has also granted the Underwriters an option (the "**Over-Allotment Option**") to purchase up to an additional 1.22 million Common Shares at the Issue Price to cover over-allotments, if any, for additional gross proceeds of approximately \$5.3 million. The Common Shares will be offered in all provinces of Canada, except Quebec, by way of a short form prospectus and by way of private placement in the United States pursuant to exemptions from the registration requirements of the United States Securities Act of 1933.

CanElson also announced its 2011 drilling rig construction program. CanElson's Board of Directors has approved a 2011 capital budget for the construction of 5 additional ultra-heavy, small footprint telescopic double drilling rigs with an estimated cost of \$40 million to be funded by the Offering and existing bank facilities.

Item 5 Full Description of Material Change

CanElson announced that it has entered into an agreement with the Underwriters pursuant to which the Underwriters have agreed to purchase on a "bought deal" basis 8.1 million Common Shares at the Issue Price for aggregate gross proceeds of approximately \$35.2 million. CanElson has also granted the Underwriters the Over-Allotment Option to purchase up to an additional 1.22 million Common Shares at the Issue Price to cover over-allotments, if any, for additional gross proceeds of approximately \$5.3 million. The Over-Allotment Option is exercisable in whole or in part at any time until 30 days after the closing of the Offering. Proceeds of the Offering will be used to fund the Corporation's rig construction program, described below, to temporarily reduce bank indebtedness and for general corporate purposes.

Pursuant to the Offering, the Common Shares will be offered in all provinces of Canada, except Quebec, by way of a short form prospectus and by way of private placement in the United States pursuant to exemptions from the registration requirements pursuant to Rule 144A and/or Regulation D of the United States Securities Act of 1933.

Closing of the Offering is expected to occur on or about March 16, 2011 and is subject to certain customary conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSX Venture Exchange.

CanElson also announced its 2011 drilling rig construction program. CanElson's Board of Directors has approved a 2011 capital budget for the construction of 5 additional ultra-heavy, small footprint telescopic double drilling rigs with an estimated cost of \$40 million to be funded by the Offering and existing bank facilities.

The deployment of the drilling rigs is expected to occur as follows:

- Rig #17: June 2011;
- Rig #18: August 2011;
- Rig #19: October 2011;
- Rig #20: December 2011; and
- Rig #29: January 2012.

With the addition of these 5 drilling rigs to CanElson's fleet, 100% of CanElson's owned drilling rig fleet will continue to be ultra-heavy, small footprint telescopic double drilling rigs rated greater than 3500 meters true vertical depth (4300 m horizontal) with an average age of less than 3 years which are designed for horizontal and resource play drilling. By the end of the construction program, CanElson expects to operate a combined rig fleet of 32 rigs (net owned 28).

CanElson has seen significant customer demand for the heavy duty telescoping double style of drilling rig and has already contracted Rig #17 for 2 years with deployment to west Texas. The Corporation expects to obtain customer commitments closer to the anticipated delivery dates of the additional drilling rigs.

With the announcement of the above rig construction program, CanElson's 2011 estimated capital program is \$52 million which is comprised of \$40 million for the construction of the 5 additional drilling rigs, \$5 million carry-over from the previously announced 2010 capital program, primarily associated with the completion of Rig #8, and \$7 million for spare equipment and ancillary rental equipment.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

For further information, please contact:

Randy Hawkings, President and Chief Executive Officer
Tel: (403) 266-3922

Item 9 Date of Report

February 28, 2011

Forward-Looking Information:

This material change report contains certain statements or disclosures relating to CanElson that are based on the expectations of CanElson as well as assumptions made by and information currently available to CanElson which may constitute forward-looking information under applicable securities laws. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that CanElson anticipates or expects may, or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as “forecast”, “future”, “may”, “will”, “expect”, “anticipate”, “believe”, “potential”, “enable”, “plan”, “continue”, “contemplate”, “pro forma”, or other comparable terminology.

In particular, this material change report makes reference to the closing date of the Offering, the anticipated use of net proceeds, CanElson’s intentions to construct 5 drilling rigs and the cost thereof, the anticipated deployment dates for the drilling rigs, the expected size of the rig fleet following completion of the construction program and expectation to obtain customer commitments closer to the anticipated delivery dates of which statements are forward looking information. CanElson’s actual achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking information will transpire or occur on such dates, or if any of them do so, what benefits CanElson will derive therefrom. Such forward looking information involves material assumptions and known and unknown risks and uncertainties, certain of which are beyond CanElson’s control. Such assumptions, risks and uncertainties include, without limitation, those associated with, loss of markets, the lack of qualified personnel and or that the closing of the Offering could be delayed if CanElson is not able to obtain the necessary regulatory and stock exchange approvals on the timelines it has planned. The Offering will not be completed at all if these approvals are not obtained or some other condition to the closing is not satisfied. Accordingly, there is a risk that the Offering will not be completed within the anticipated time or at all. The intended use of the net proceeds of the Offering by CanElson might change if the board of directors of CanElson determines that it would be in the best interests of CanElson to deploy the proceeds for some other purpose.

The forward-looking information is made as at the date of this press release and CanElson does not undertake any obligation to update publicly or to revise any of the included forward-looking information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.