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

December 5, 2013

Item 3 News Release

A News Release was issued December 6, 2013 through Marketwired.

Item 4 Summary of Material Change

CanElson announced that it has acquired Highkelly Drilling Ltd. ("**Highkelly**"), a private Canadian drilling company, that owns and operates two new AC electric triple drilling rigs in the Montney liquids rich natural gas resource play of northeast British Columbia (the "**Acquisition**"). CanElson has also agreed to construct a third new AC electric triple rig to be completed and delivered in Q3 2014.

Item 5.1 Full Description of Material Change

CanElson announced that it has acquired Highkelly and that it has also agreed to construct a third new AC electric triple rig to be completed and delivered in Q3 2014. The consideration paid for all of the issued and outstanding shares of Highkelly was approximately $34.5 million, consisting of $17.8 million in cash and the issuance of approximately 2.6 million CanElson shares at a deemed price of $6.37 per share. As part of the transaction, CanElson has assumed net debt of approximately $6.9 million, for a total purchase price of approximately $41.5 million, including positive working capital of approximately $0.5 million.

With the exception of seasonal restrictions, both triple rigs have been operating continuously, are under long term contracts and are fully crewed.

Strategic Rationale of the Acquistion

The addition of the Highkelly triple rigs significantly advances CanElson's strategy of expanding capability to participate in the growing market for deeper wells with new, state-of-the-art triple drilling rigs. In addition, the Acquisition provides the following strategic benefits:

- Immediate accretion to CanElson on an earnings, EBITDA and cash flow basis.
- Easy integration of Highkelly rigs within CanElson's existing operating network.
- Enables CanElson to service existing and potential new customers who are seeking high efficiencies, similar to those demonstrated by CanElson's tele-double rig fleet, on deeper well programs.

- Provides CanElson with further expansion in the Montney and other resource areas of British Columbia requiring deeper rigs.

- Additional triple drilling rig to be constructed through an affiliate of Highkelly and therefore adding to CanElson's rig build manufacturing capacity.

- As part of the transaction CanElson negotiated a right of first refusal on future rig builds through an affiliate of Highkelly.

Details of Canelson's Rig Fleet Growth

With the Acquisition, CanElson's total rig fleet has increased to 50 rigs from 48, and the number of triple rigs has increased from two to four. The acquired triple rigs have a vertical depth rating of approximately 6,000 metres as compared to approximately 4,400 metres for CanElson's new tele-double rigs.

In connection with the Acquisition, CanElson has agreed to construct a third new AC electric triple rig to be manufactured by an affiliate of Highkelly in Shanghai, China for delivery in Q3 2014. This additional manufacturing capacity, along with CanElson's existing rig assembly facility in Nisku, Alberta, provides an option to increase CanElson's ability to construct drilling rigs to meet growing demand for its drilling services. The Highkelly affiliate was not part of the Acquisition.

The approximate cost of the new AC electric triple rig is expected to be $18.3 million. Discussions are ongoing with multiple customers to contract the new AC electric triple.

Item 5.2 Disclosure for Restructuring Transactions

Not applicable.

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

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 5 Executive Officer

For further information, please contact:

Robert Skilnick, Chief Financial Officer
Tel: (403) 266-3922

Item 6 Date of Report

December 13, 2013