

FORM 51-102F3
MATERIAL CHANGE REPORT

1. Name and Address of Company:

TERRACE ENERGY CORP.
P.O. Box 21546
1424 Commercial Drive
Vancouver, British Columbia V5L 5G2

2. Date of Material Change:

The material change described in this report occurred on April 1, 2021.

3. News Release:

On April 1, 2021, Terrace Energy Corp. (the "Company") issued a news release through the facilities of CNW.

4. Summary of Material Change:

The Company announced that it closed its previously announced plan of arrangement under the *Business Corporations Act* (British Columbia) (the "Arrangement"), pursuant to which the Company's outstanding secured convertible notes due April 2, 2021 (the "Notes") and a guarantee claim (the "Guarantee Claim") in the principal amount of US\$500,000 were exchanged for newly issued common shares in the capital of the Company (the "Common Shares").

5. Full Description of Material Change:

At the Company's special meeting of noteholders and certain guarantee holder on March 29, 2021 (the "Meeting"), the Arrangement was approved by 100% in number of holders of the Notes (the "Noteholders") and Noteholders representing 100% of the aggregate principal amount of the Notes voted at the Meeting. On March 31, 2021, the Supreme Court of British Columbia granted a final order approving the Arrangement.

Pursuant to the Arrangement, on April 1, 2021, all of the outstanding Notes and the Guarantee Claim were exchanged for 20,000 Common Shares per \$1,000 principal amount and all other accrued amounts, including interest and any maturity bonus were cancelled. As at the effective time of the Arrangement, the aggregate principal amount of the outstanding Notes, being \$33,070,000, and the principal amount of the Guarantee Claim, being \$628,750 (based on the applicable exchange rate quoted by the Bank of Canada on March 31, 2021) were exchanged for 673,960,000 Common Shares. As a result of the Arrangement, the Company has a total of 772,844,821 Common Shares issued and outstanding as of the date hereof.

As more fully set forth in the management information circular of the Company dated February 26, 2021 (the "Circular"), the Arrangement was completed with the objective of reducing the Company's operating expenditures in order to preserve liquidity. By preserving its liquidity, the Company seeks to preserve its ongoing viability to realize upon any improvements in the oil and gas market that may occur in the future. The following is a summary of the principal reasons for, and anticipated effects of, the Arrangement:

- (1) improve liquidity;
- (2) avoid risks and uncertainties of not completing the Arrangement; and

- (3) allow the Noteholders and the holder of the Guarantee Claim to have the option to continue to have financial participation in the Company's future business.

To the best of the Company's knowledge, based on publicly available information, the table below provides the number and percentage of Common Shares held by the "interested parties" in respect of the Arrangement and "related parties" and "associated entities" thereof (as such terms are defined under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101")) immediately prior to and after the implementation of the Arrangement:

Name	Principal Amount of Notes ⁽¹⁾	Number of Common Shares Beneficially Owned, Controlled or Directed	Number of Common Shares Beneficially Owned, Controlled or Directed following the completion of the Arrangement	Percentage of Outstanding Common Shares
Daniel Carriere Chairman	\$2,440,000	11,526,776	60,326,776	7.81%
Kenneth Shannon Director	\$500,000	3,550,328	13,550,328	1.75%
Murray Oliver Director	\$50,000	1,536,857	2,536,857	0.33%
Total:	\$2,990,000	16,613,961	76,413,961	9.89%

Note:

(1) Amounts do not include any accrued and unpaid interest.

The Company has relied on the financial hardship exemption from the requirement to obtain a formal valuation and minority approval in connection with the Arrangement, pursuant to sections 5.5(g) and 5.7(e) of MI 61-101, respectively, based on the following: (i) the Company is in serious financial difficulty, (ii) the Arrangement is designed to improve the financial position of the Company, (iii) section 5.5(f) of MI 61-101 is not applicable in connection with the Arrangement; (iv) the Company has one or more independent directors in respect of the Arrangement; and (v) the board of directors of the Company and at least two-thirds of such independent directors, acting in good faith, have determined that items (i) and (ii) above apply and that the terms of the Arrangement are reasonable in the circumstances of the Company.

During the previous 24 months, no prior valuations have been made in respect of the Company relating to the Notes or the Arrangement which would require disclosure in accordance with section 6.8 of MI 61-101.

As this material change report is being filed less than 21 days before the completion of the Arrangement, there is a requirement under MI 61-101 to explain why the shorter period was reasonable or necessary in the circumstances. In the view of the Company, such shorter period was reasonable and necessary in the circumstances due to the timing for the satisfaction of the conditions to the Arrangement and because the Company wished to complete the Arrangement in a timely manner following the satisfaction of such conditions.

Further information regarding the Arrangement is set out in the Circular which is available under the Company's profile on SEDAR at www.sedar.com.

6. Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

7. Omitted Information:

Not applicable.

8. Executive Officer:

The following executive officer of the Company is knowledgeable about the material change and this report and may be contacted respecting the material change and this report:

William David Gibbs
President and Chief Executive Officer
Telephone: (713) 822-0141

9. Date of Report:

April 1, 2021