

TERRACE ENERGY CORP.

February 26, 2021

Dear Noteholder and/or Guarantee Holder:

The Board of Directors (the "**Board**") of Terrace Energy Corp. (the "**Company**") cordially invites you to attend a special meeting (the "**Meeting**") of holders ("**Noteholders**") of its outstanding convertible secured notes due April 2, 2021 (the "**2016 Notes**") issued under a trust indenture dated May 13, 2016 (the "**Indenture**") and the holder (the "**Guarantee Holder**") of an unsecured claim (the "**Guarantee Claim**") pursuant to a Parent Guaranty dated April 1, 2015 between the Company and ConocoPhillips Company (the "**Guarantee**"), to be held at 10:00 a.m. (Vancouver time) on March 29, 2021, at 1000 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia.

At the Meeting, you will be asked to consider and vote upon a resolution (the "**Arrangement Resolution**") approving an arrangement (the "**Arrangement**") under the *Business Corporations Act* (British Columbia), S.B.C., 2002, c.57, pursuant to which all of the 2016 Notes and the Guarantee Claim will be exchanged for common shares of the Company (the "**Common Shares**").

Pursuant to the Arrangement, at the effective time of the Arrangement (the "**Effective Time**"), Noteholders will receive, 20,000 Common Shares for each C\$1,000 principal amount of outstanding 2016 Notes held by such Noteholder and the Guarantee Holder will receive 20,000 Common Shares for each C\$1,000 of the Guarantee Claim outstanding, being US\$500,000. Prior to such exchange, pursuant to the Arrangement, all Noteholders will be deemed to have fully and finally released and discharged all of the security interest granted pursuant to the 2016 Notes, the Indenture and the "Security Documents" as contemplated by the Indenture and, thereafter, the 2016 Notes will constitute unsecured debt of the Company. The Common Shares are being issued under the Arrangement at a deemed price of \$0.05 per share, being the minimum price allowable under applicable TSX Venture Exchange requirements. This is a premium to the last closing price of the Common Shares, being \$0.025.

The terms of the Arrangement are set forth in the accompanying management information circular (the "**Circular**"). The 2016 Notes are secured. Pursuant to the Arrangement, all penalties, interests or other amounts accrued and payable under the 2016 Notes or the Indenture, including the maturity bonus set out in section 2.3 of the Indenture will be cancelled and will not be exchangeable for any Common Shares pursuant to the Arrangement. The Guarantee Holder will and will be deemed to irrevocably and finally exchange the Guarantee Claim for the Common Shares which will and will be deemed to be received in full and final settlement of the Guarantee Claim.

For the Arrangement to proceed, the Arrangement Resolution must be approved by: (i) a majority in number of the Noteholders and the Guarantee Holder, voting as a single class, present in person or by proxy at the Meeting; and (ii) seventy-five (75%) percent in value, of the votes cast on the Arrangement Resolution by the Noteholders and the Guarantee Holder, voting as a single class, present in person or by proxy at the Meeting.

In order to manage its share structure as a result of the Common Shares issuable under the Arrangement, the Company may complete a consolidation of its outstanding Common Shares after completion of the Arrangement. Any such consolidation will be subject to board and applicable stock exchange approvals at such time.

The Board has concluded that the terms of the Arrangement are fair and reasonable to, and in the best

interests of, the Company, as more particularly set out in the enclosed Circular. The Board has therefore approved the Arrangement and authorized the submission of the Arrangement to the Noteholders, the Guarantee Holder and the Court for approval. The Board recommends that Noteholders and the Guarantee Holder **vote in favour** of the Arrangement Resolution.

We are enclosing a Notice of Special Meeting, the Circular for the Meeting, a form of proxy and a letter of transmittal. These documents are also available on SEDAR at www.sedar.com. The Circular and the appendices attached to it, which we urge you to read carefully in consultation with your tax, financial, legal or other professional advisors, describe the Arrangement and include certain other information to assist you in considering the Arrangement.

Your vote is important regardless of how many Notes you own. The Board recommends that Noteholders and the Guarantee Holder vote in favour of the Arrangement Resolution approving the Arrangement.

Completion of the Arrangement is subject to a number of conditions, some of which are beyond the control of the Company, including approval by the Supreme Court of British Columbia. Accordingly, the exact timing of implementation of the Arrangement is not currently known. The Company currently anticipates that closing will occur on or about April 1, 2021.

On behalf of the Board, I would like to thank all Noteholders for their ongoing support.

Yours very truly,

(signed) "*Daniel Carriere*"

Daniel Carriere
Chairman of the Board