
NOTICE OF SPECIAL MEETING OF NOTEHOLDERS

TO THE HOLDERS OF 8% CONVERTIBLE NOTES OF TERRACE ENERGY CORP.:

NOTICE IS HEREBY GIVEN that a Special Meeting (the "**Meeting**") of holders (the "**Noteholders**") of the outstanding 8% convertible unsecured notes of Terrace Energy Corp. (the "**Company**") due April 2, 2018 (the "**Notes**") will be held at 10:00 a.m. (Vancouver time) on October 8, 2014, at 1000 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia, for the following purpose:

1. to consider, pursuant to an interim order of the Supreme Court of British Columbia dated September 15, 2014 (the "**Interim Order**") and, if deemed advisable, to pass, with or without variation, a resolution (the "**Arrangement Resolution**") in the form attached as Appendix "A" to the accompanying Management Information Circular (the "**Circular**") approving an arrangement (the "**Arrangement**") under Division 5, Part 9 of the *Business Corporations Act* (British Columbia), S.B.C., 2002, c.57 (the "**Act**"), which involves, among other things, an exchange of all of the outstanding Notes for new 8% convertible unsecured notes of the Company due April 2, 2018 (the "**New Notes**"), such New Notes to be issued under a trust indenture (the "**Indenture**") to be entered into among the Company, Computershare Trust Company of Canada (the "**Trustee**") and Computershare Trust Company, N.A. as United States co-trustee, as more particularly set forth in the accompanying Circular.

The directors of the Company have fixed the close of business on August 11, 2014 as the record date for determining Noteholders who are entitled to attend and vote at the Meeting. The accompanying Circular provides additional information relating to the matter to be dealt with at the Meeting and forms part of this Notice of Special Meeting.

Accompanying this Notice of Special Meeting are: (i) the Circular; (ii) a form of proxy; (iii) an envelope for returning proxies to Computershare Investor Services Inc. (the "**Scrutineer**"); (iv) a letter of transmittal; and (v) an envelope for returning letters of transmittal and certificates which immediately prior to the effective time of the Arrangement represented outstanding Notes, together with any other documents required by the letter of transmittal.

Copies of the Arrangement Resolution, the Plan of Arrangement, the form of Indenture, the Interim Order and the Notice of Application for the Final Order, as defined in the Circular, are attached to the Circular as Appendices "A", "B", "C", "D", and "E", respectively. The foregoing documents are also available for inspection prior to the Meeting at the head office of the Company at 1012-1030 West Georgia Street, Vancouver, British Columbia V6E 2Y3 during regular business hours and have been publicly filed on www.sedar.com.

If you are a registered Noteholder, whether or not you are able to attend the Meeting, you are requested to complete, execute and deliver the enclosed form of proxy in accordance with the instructions set forth on the form to the Company, c/o the Scrutineer by no later than 10:00 a.m. (Vancouver time) on Monday, October 6, 2014 or, if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to any adjournments or postponements thereof. The time limit for the

deposit of proxies may be waived by the chair of the Meeting at his or her discretion without notice. Registered Noteholders can also vote their proxies via telephone or the internet in accordance with the instructions provided in the proxy.

The Board of Directors of the Company recommends that Noteholders vote IN FAVOUR of the Arrangement Resolution. In the absence of any instruction to the contrary, the Notes represented by proxies appointing the management designees named in the accompanying form of proxy will be voted in favour of the Arrangement Resolution.

DATED at Vancouver, British Columbia, this 15th day of September, 2014.

By order of the Board of Directors

(signed) "*Daniel Carriere*"

Daniel Carriere
Chairman of the Board