

Terrace Energy announces Restructuring Plans

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With the ongoing low oil price environment the company have moved to take positive action.

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Vancouver, BC, March 31, 2016 – **Terrace Energy Corp. {TSXV: TZR}** announces the following restructuring plans to preserve cash and protect the prospective value of its business.

Dave Gibbs, the Company's President and Chief Executive Officer, commented: *"Current market conditions and the near term projected outlook for the oil and gas industry require that we take immediate steps to reduce expenditures and preserve assets so that all stakeholders have an opportunity to benefit from a future industry wide recovery."*

The Company intends to rely on a combination of capital deferrals (drilling obligations), cost reductions (G&A), and an exchange of outstanding convertible notes to preserve cash.

Deferral of Capital Obligations

The Company has been successful in pursuing a strategy of building an attractive inventory of future drilling locations with minimal near-term capital commitments in order to secure

long-term opportunities.

As previously reported, the Company has successfully negotiated deferrals of drilling commitments on its STS Olmos and Maverick County Projects until late 2017, allowing it to maintain its leasehold interest of approximately 40,000 net mineral acres in these two projects. The Company will continue to pursue advantageous leasehold acquisition opportunities within its approximately 240,000 acre Area of Mutual Interest surrounding the existing STS Olmos Project.

Annual Cost Savings

The Company has taken actions that are expected to reduce its G&A budget for the current fiscal year by more than 70%, saving an estimated US\$2.6 million. Most significantly, the Company has eliminated approximately 85% of its salary obligations, without having to incur any severance costs, by forming a separate consulting and contract management services company, which will compensate key technical staff and executive officers from client billings.

This allows the Company to maintain and grow industry relationships while eliminating a significant burden on the Company. The Company has also streamlined the expense of its public reporting and corporate administrative functions by reducing outside services by approximately 65%, resulting in expected annual savings of approximately US\$750,000 and eliminated or reduced ancillary costs (rent, communications, etc.) by an additional US\$250,000.

Proposed Exchange of Convertible Notes

The Company also plans to hold a special meeting of holders of its 8% convertible unsecured notes (the "Existing Notes") due in 2018. The Meeting will be held at 10:00 a.m. (Vancouver time) on May 9, 2016. At the Meeting, noteholders will be asked to consider and vote upon a resolution approving an arrangement under the Business Corporations Act (British Columbia) pursuant to which all of the Existing Notes will be exchanged for new convertible secured notes of the Company (the "New Notes") due April 2, 2021 (the "Maturity Date"). The New Notes will be issued under a new trust indenture (the "New Indenture").

Pursuant to the Arrangement, noteholders will receive \$1,000 in principal amount of New Notes for each \$1,000 principal amount of Existing Notes held by such noteholder. All interest owing to noteholders on the Existing Notes to the date of such exchange will be forgiven. While the Existing Notes are unsecured, the New Notes will be a secured obligation of the Company guaranteed by a general security agreement against all of the assets of the Company. Additionally, the New Notes will be interest free but subject to a maturity bonus equal to 5% of the aggregate total principal amount of the New Notes payable on the Maturity Date (the "Maturity Bonus"). If the New Notes are redeemed in accordance with their terms at any time within 180 days prior to the Maturity Date, one-half of the Maturity Bonus will be payable. The Maturity Bonus will be payable, at the Company's election, in cash or through the issuance of common shares of the Company at a price equal to the volume weighted average of the Company's common shares on its principal stock exchange for the 10 trading days prior to any such issuance. The conversion price under the New Notes will be \$0.50 per share, compared to \$2.00 per share under the Existing Notes.

To date, the Company has entered into voting support agreements with holders of Existing Notes representing approximately C\$14.5 million (or 37%) of the outstanding principal amount of the Existing Notes, pursuant to which such noteholders have agreed to vote in favour of the Arrangement.

The Arrangement is subject to court approval and approval by both a majority in number of noteholders and noteholders representing 75% in value of the Existing Notes present, in person or by proxy, at the Meeting. The Arrangement will also be subject to customary conditions, including, among other things, the receipt of applicable regulatory approvals, including approval of the TSX Venture Exchange and the satisfaction of other customary closing conditions.

Details regarding these and other terms of the Arrangement, the New Notes and the New Indenture will be set out in a management information circular, which will be sent to noteholders and made available under the Company's profile at www.sedar.com prior to the Meeting.

Discussions with Secured Lender

The Company's subsidiary, Terrace STS, LLC, is in discussions with its secured lender concerning its non-compliance with certain covenants under the credit agreement. The loan, which is only secured by the assets of Terrace STS, LLC, is non-recourse to Terrace Energy Corp. Terrace STS, LLC assets are limited to the initial 3,900 net acre STS Olmos Development Project and the associated producing wells and infrastructure. The discussions are focused on the prospect and terms of converting the outstanding loan into equity in the subsidiary. The Company will disclose additional details when these

discussions are concluded.

The Company continues to believe in the strong technical merits of both the area of mutual interest surrounding its STS Olmos Project as well as its extensive Maverick County Project. Previous successful results, combined with improved capital costs, suggest that these projects may be among the earliest projects in North America to attract the required capital to resume drilling operations as commodity prices improve. The Company will continue taking prudent action, where possible, so that it may benefit from the long-term value of its assets and to pursue any and all strategic alternative project financing to enhance stakeholder value.

About Terrace Energy

Terrace Energy is an oil & gas development stage company that is focused on unconventional oil extraction in onshore areas of the United States with a particular focus on South Texas.

ON BEHALF OF THE BOARD OF DIRECTORS

“Dave Gibbs”

Dave Gibbs, CEO

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