Terrace reports on production development activities

Terrace Energy {TSX.V: TZR} report that three well test results will be available in early December.

The company has expectations that these three wells will perform in a consistent manner to the earlier seven wells drilled at the site, and produce around 1,000 BOEPD

TERRACE REPORTS ON PRODUCTION DEVELOPMENT ACTIVITIES

Vancouver, BC, November 10, 2014 — Terrace Energy Corp. (TSXV: TZR reports that the development drilling program is well underway on the Company's STS Olmos Development Project, McMullen and LaSalle Counties, Texas. Drilling operations are complete on the project's first three-well pad, the STS Section 6 pad, in McMullen County with each well encountering the targeted zone. Horizontal laterals of approximately 5,200' have been drilled and cased in each well and operations are in progress to simultaneously complete all three wells by hydraulic fracture stimulation using a "zipper frac" process. Test results are expected in early December. Based on data obtained during drilling operations, the Company expects these wells to perform similarly to the seven delineation wells previously completed in the project, which averaged 30 day IP rates of over 1000 BOEPD*.

Contemporaneous with completion operations on the Section 6 pad, drilling operations are advancing on schedule at the second three-well pad site, the STE Section 5 pad, in LaSalle County. Surface casing has been set on each of the three wells at approximately 5,000' and lateral drilling is in progress on

the STE 3-5H at present. Drilling operations are expected to be finished by late December with completion operations scheduled for January. Further, construction operations have been initiated on the third multi-well pad, the STS Section 17 pad. The rig will move to this site in late December immediately following drilling operations on the STE Section 5 pad. Current plans are to develop the STS Section 17 pad as a six-well site.

The STS Project contains approximately 145 gross potential drilling locations on approximately 17,000 gross mineral acres. The Company plans continuous drilling operations with the current rig. Additional rigs are planned to augment the program in 2015 and 2016. The Company's capital commitments for all activities are fully funded under its previously announced \$75 million development drilling facility. The Company controls a 27% working interest in the project.

Based on the economic model built for the purpose of securing the \$75,000,000 drilling facility for the STS Olmos Project (announced on June 9th 2014) the following economic sensitivities are projected on the project.

Using the benchmark WTI price and modelling 30 day IP rates of 800 B0EPD, the type curve model projects a 50% IRR at \$100.00 USD per barrel, 41% IRR at \$90.00 USD per barrel, 32% IRR at \$80.00 USD per barrel,23% IRR at \$70.00 USD per barrel and positive economic returns at prices below \$50.00 per barrel. The project also continues to enjoy a significant premium to the benchmark prices due to its desirable crude quality and favourable location within the marketing infrastructure.

Dave Gibbs, the Company's President and CEO commented; "Based on the consistency of the historical production results to date, we expect this project to be the primary driver to continue building production volumes, reserves and asset value for the next several years. Additionally, we are working closely with our 2 partner to optimize capital efficiencies, completion techniques and frac design with a goal of further

enhancing well performance and economic returns."

Additionally, the first well at the NW AWP Olmos Development Project, Quintanilla #1-H well, initially tested at 986 BOEPD* on October 14, 2014, as previously announced. The Company holds a 33% working interest in 199 acres including this well and has also earned an option to acquire a 33% working interest in 3400 adjacent mineral acres, which contains several potential drilling locations in the Olmos formation. This project is part of the Company's ongoing strategy to expand its leasehold interests in the Olmos fairway. Due to the close correlation of geological characteristics and well performance to the STS Project, development drilling capital for the NW AWP Project is also being funded through the \$75 million development drilling facility.

The company will provide further updates in due course.

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.

ON BEHALF OF THE BOARD OF DIRECTORS

"Dave Gibbs"
Dave Gibbs, CEO

* BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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