DEBENTURE SUBSCRIPTION AGREEMENT ENTERED INTO AS OF JANUARY 31, 2012

BETWEEN:

[redacted] **[Name and address of party]**

(hereinafter referred to as the "[redacted]")

AND:

FORTRESS PAPER LTD., a corporation duly incorporated under the laws of British Columbia, having its head office at 157 Chadwick Court, 2nd Floor, North Vancouver, British Columbia V7M 3K2, acting through and represented by its representative, duly authorized for the purposes hereof as he so declares;

(hereinafter referred to as "**Fortress**")

1. SCHEDULES

The following schedules form an integral part of this Agreement:

Schedule A -Form of Debenture
Schedule B -Representations and Warranties of Fortress
Schedule C -Representations and Warranties of [redacted]
Schedule D -Form of Opinion

2. DEFINITIONS

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

"**$**" means Canadian dollars;

"**Acquisition**" means the acquisition by FGC from Domtar Inc. of the buildings where the Mill was operated and certain assets relating to the Mill and the Sawmill;

"**Agreement**" means and refers to this Debenture Subscription Agreement, its schedules and any and all amendments thereto;

"**Applicable Legislation**" means all laws, regulations, orders, policies, directives, judgments, decisions or decrees which are binding upon Fortress or FGC, as the case may be, their property, their activities and their operations, including, without limiting the generality of the foregoing, the Environmental Legislation;

"**Bring Down Certificate**" has the meaning ascribed to this expression in Section 4.1.13;

"**Closing Date**" means the same date as the closing date of the Acquisition, it being understood that such date shall in no event be later than July 31, 2012 unless specifically agreed upon in writing by [redacted] and Fortress;

"**Debenture**" means and refers to the unsecured convertible debenture of Fortress in the amount of $25,000,000 to be subscribed for by the [redacted] on the Closing Date in accordance with the provisions of this Agreement, the form of which is attached hereto as Schedule A;

"**Environmental Legislation**" means all applicable federal, provincial, municipal, regional or foreign laws, statutes, rules, regulations, by-laws, judgments, orders, permits, approvals, decrees, directives, policies, guidelines, authorizations, certificates of authorization or licences of any governmental authority in effect relating to the environment or its protection;

"**FGC**" means Fortress Global Cellulose Ltd., a corporation organized under the laws of British Columbia and a wholly-owned subsidiary of Fortress;

"**LSQ Project**" means (i) the transformation of the Mill in order that it produces dissolving pulp; and/or (ii) the construction of a cogeneration plant;

"**Material Adverse Change**" means an event, circumstance, fact, act or omission which is or would reasonably be expected to affect, impair or be materially adverse to the nature, business, assets, prospects, liabilities, financial condition or results of operations of, or manner of conducting, Fortress, its business or the LSQ Project;

"**Mill**" means the pulp mill owned and previously operated by Domtar Inc. located in Lebel-sur-Quévillon, Province of Quebec, excluding the Sawmill;

"**Sawmill**" means the sawmill owned by Domtar Inc. located in Lebel-sur-Quevillon, Province of Quebec; and

"**TSX**" means the Toronto Stock Exchange.

3. SUBSCRIPTION

3.1. Subject to the conditions set forth in Section 4 hereof, the [redacted] shall subscribe for the Debenture on the Closing Date and Fortress shall, on the Closing Date, accept such subscription and issue the Debenture, the whole for the consideration specified therein, which will be payable by the [redacted] in full on the Closing Date by delivery of a certified cheque or bank draft payable to Fortress or by wire transfer to an account identified by Fortress.

4. CONDITIONS PRECEDENT

4.1. **Conditions Precedent for the benefit of the [redacted]**: The subscription for the Debenture by the [redacted] on the Closing Date is subject to the following conditions, which are for the exclusive benefit of the [redacted] and which must be fulfilled, performed or waived on or prior to the Closing Date:

4.1.1. The closing of the Acquisition upon terms and conditions acceptable to the [redacted], acting reasonably;

4.1.2. The execution of a senior debt financing by FGC providing for credit facilities of not less than $132,400,000 in aggregate to fund project costs associated with the LSQ Project, upon terms and conditions acceptable to the [redacted], acting reasonably;

4.1.3. The execution of an agreement between FGC and the [redacted] providing for the following:

[redacted]

[redacted]

[redacted]

(iv) [redacted]

[redacted]

[Agreement relating to certain operational matters of FGC.]

4.1.4. The written confirmation by Fortress that it will use commercially reasonable best efforts to procure future contracts for its fibre to satisfy the operating requirements of the Mill;

4.1.5. The written confirmation by Fortress that it will use commercially reasonable best efforts to sell a significant portion of the dissolving pulp produced at the Mill as an export to customers outside of the province of Quebec;

4.1.6. The execution by FGC of the collective bargaining agreement with the union employees of the Mill;

4.1.7. The obtaining of all authorizations, consents and approvals required for the issuance of the Debenture in compliance with Applicable Legislation and other documents or agreements binding Fortress, including TSX approval;

4.1.8. The delivery by Fortress of a certified copy of resolutions of its board of directors approving the transactions contemplated hereby;

4.1.9. The delivery by Fortress of (i) certificates of good standing in respect of Fortress and FGC, and (ii) a certificat d'attestation in respect of FGC's extra-provincial registration in Quebec;

4.1.10. The delivery by Fortress of an executed copy of the Debenture;

4.1.11. The delivery by Fortress of an opinion of its legal counsel addressed to the [redacted] in the form attached as Schedule D;

4.1.12. The payment by Fortress to the [redacted] of the unpaid balance of the analysis fees as set forth in Section 9;

4.1.13. The delivery by Fortress of a bring-down certificate (the "**Bring-Down Certificate**") confirming that, subject to events occurring after the date hereof, which events will be disclosed to the [redacted] in the Bring-Down Certificate and must be acceptable to the [redacted], the representations and warranties set forth in Section 6 hereof are true, complete and accurate in all material respects as of the Closing Date;

4.1.14. No legal or regulatory actions or proceedings shall be pending or, to the knowledge of Fortress, threatened by any person to enjoin, restrict or prohibit (i) the subscription by the [redacted] of the Debenture, or (ii) the LSQ Project;

4.1.15. Fortress shall not be in material violation or default of any provisions hereof; and

4.1.16. No Material Adverse Change shall have occurred since the date hereof.

If any of the conditions set forth in this Section 4.1 shall not be fulfilled or performed on or prior to the Closing Date to the satisfaction of the [redacted], acting reasonably, the [redacted] may, by notice to Fortress, terminate this Agreement, in which case the parties shall have no further obligations hereunder, provided however that the [redacted] shall be entitled to keep any sum previously paid as set out in Section 9.

Any of the above-mentioned conditions precedent may be waived in whole or in part by the [redacted].

4.2. **Conditions Precedent for the benefit of Fortress**: The issuance of the Debenture by Fortress to the [redacted] on the Closing Date is subject to the following conditions, which are for the exclusive benefit of Fortress and which must be fulfilled, performed or waived at or prior to the Closing Date:

4.2.1. The closing of the Acquisition;

4.2.2. The completion of a senior debt financing by FGC providing for credit facilities of not less than $132,400,000 in aggregate to fund project costs associated with the LSQ Project;

4.2.3. The execution by FGC of the collective bargaining agreement with the union employees of the Mill;

4.2.4. The obtaining of all authorizations, consents and approvals required for the issuance of the Debenture in compliance with Applicable Legislation and other documents or agreements binding Fortress, including TSX approval;

4.2.5. The delivery by the [redacted] of a certified copy of a resolution of its board of directors approving the transactions contemplated hereby; and

4.2.6. No legal or regulatory actions or proceedings shall be pending or threatened by any person to enjoin, restrict or prohibit (i) the subscription by the [redacted] of the Debenture, or (ii) the LSQ Project.

If any of the conditions set forth in this Section 4.2 shall not be fulfilled or performed at or prior to the Closing Date to the satisfaction of Fortress, acting reasonably, Fortress may, by notice to [redacted], terminate this Agreement, in which case, the parties shall have no further obligations hereunder, provided however that the [redacted] shall then be entitled to keep any sum paid in accordance with Section 9.

Any of the above-mentioned conditions precedent may be waived in whole or in part by Fortress.

5. OBLIGATIONS OF FORTRESS

5.1. Between the date hereof and the Closing Date:

5.1.1. Each of the parties shall use its commercially reasonable efforts to take all actions and do all things necessary, proper or advisable to consummate and make effective the transaction contemplated hereby;

5.1.2. Fortress (i) undertakes not to solicit, negotiate or conclude an investment similar to the investment contemplated hereby in connection with the LSQ Project with any party other than the [redacted], and (ii) shall cause its representatives, officers and directors (the "**Representatives**") not to solicit, negotiate or conclude such an investment. For greater certainty, the above undertaking shall not prohibit Fortress from making other offerings of its securities, including offerings of debentures on terms substantially similar to the Debenture, in order to meet the balance of its equity investment objectives for the purposes of the LSQ Project not covered by the investment contemplated hereby or meet working capital or other capital requirements, whether or not related to the LSQ Project or in connection with loans or credit facilities associated with the LSQ Project or otherwise (to the extent it does not aim to replace the investment contemplated hereby).

In the event that Fortress or any of its Representatives does not respect this undertaking, an amount of $100,000, representing liquidated damages, shall be payable to the [redacted] by Fortress, upon written request. Upon payment of such sum, the [redacted] agrees that it shall not have other recourses against Fortress or any of its Representatives with respect to the investment contemplated hereby.

5.2. From the Closing Date and for so long as the [redacted] holds the Debenture, Fortress shall comply, and shall cause FGC to comply, with the following obligations and acknowledges that the [redacted] relies on such undertakings for the purpose of its subscription:

5.2.1. provide to the [redacted], in the event that Fortress ceases to be subject to continuous disclosure obligations in accordance with applicable securities legislation, documentation equivalent to the documentation it was disclosing publicly prior to such date; and

5.2.2. invest the full amount of the principal of the Debenture into FGC and such investment shall be used by FGC for the LSQ Project.

5.3. In connection with the LSQ Project, within a period of three years subsequent to the Closing Date a minimum aggregate amount of $15,000,000 (excluding proceeds raised through the subscription of the Debenture) shall have either been: (i) generated by FGC through EBITDA (defined as net income before interest, income taxes, depreciation and amortization); (ii) contributed by Fortress, directly or indirectly, to FGC; or (iii) generated or contributed by any combination of (i) and (ii) above.

6. REPRESENTATIONS AND WARRANTIES OF FORTRESS

Fortress represents and warrants to the [redacted] each of the representations and warranties set forth in Schedule B hereto, it being acknowledged that the [redacted] is relying upon said representations and warranties for the purpose of the subscription contemplated hereby.

7. REPRESENTATIONS AND WARRANTIES OF [redacted]

[redacted] represents and warrants to Fortress each of the representations and warranties set forth in Schedule C hereto, it being acknowledged that Fortress is relying upon said representations and warranties for the purpose of the subscription contemplated hereby.

8. SURVIVAL OF REPRESENTATIONS AND WARRANTIES

The representations and warranties referred to in Sections 6 and 7 and in the Bring-Down Certificate shall survive the execution of this Agreement and the Closing Date and shall continue to remain in full force and effect for a period of one (1) year after the Closing Date.

9. Analysis Fees

9.1. Analysis fees in the amount of $[redacted] shall be paid by Fortress to the [redacted] in connection with its subscription hereunder, of which $[redacted] has already been paid. The balance of $[redacted] shall be paid as to $[redacted] upon execution of an asset purchase agreement or similar document with Domtar Inc. regarding the acquisition of the Mill and as to $[redacted] upon closing of this subscription.

10. Covenant of the [redacted]

10.1. The [redacted] agrees that during the period commencing on the date hereof and continuing to and including the Closing Date, the [redacted] will not, directly or indirectly, offer, sell, negotiate, contract to sell, pledge, assign, transfer, grant any warrant, right or option to purchase, encumber, mortgage, make any short sale or otherwise dispose of any common shares of Fortress (including engaging in any hedging transaction or entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of common shares or securities convertible or exchangeable into common shares), whether now owned or hereafter acquired, owned directly by the [redacted] (including holding as a custodian) or with respect to which the [redacted] has beneficial ownership (collectively, the "[redacted]' **Securities**"). Notwithstanding the foregoing, the [redacted] may transfer the [redacted]' Securities pursuant to a bona fide take-over bid made to all holders of common shares of Fortress or similar acquisition transaction or with the prior written consent of Fortress, such consent not to be unreasonably withheld.

11. Closing

11.1. [redacted] agrees to deliver to Fortress not later than 9:00 a.m. (Montreal time) on the Closing Date or such other time as may be agreed between the parties a certified cheque or bank draft or wire transfer payable to Fortress in the aggregate principal amount of the Debenture. On the Closing Date, Fortress shall issue to [redacted] the certificate representing the Debenture, in the form attached at Schedule A hereto, registered in the name of [redacted].

12. Notice

12.1. Any notice or other communication required herein shall be given in writing and transmitted by email or telecopier (provided that a copy is subsequently sent by messenger and its receipt confirmed) or delivered by hand:

12.1.1. to the [redacted]:

[redacted]

[redacted]

[redacted]

12.1.2. to Fortress:

FORTRESS PAPER LTD.
157, Chadwick Court, 2nd Floor
North Vancouver, British Columbia
V7M 3K2

Attention: Chief Executive Officer

Facsimile: 604 988-5327
Email: cwasilenkoff@fortresspaper.com

with a copy to:

SANGRA MOLLER LLP
1000-925 West Georgia Street
Vancouver, B.C. V6C 3L2

Attention: Winston Yee

Facsimile: 604 669-8803
Email: wyee@sangramoller.com

or, for each party, to any other address or any other telecopier number which may be designated by such party in a written notice transmitted to the other party.

12.2. The notices or communications provided in Section 12.1 shall be presumed to have been received the day they are sent, if delivered by hand or if transmitted by telecopier or by email during normal business hours; failing this, the telecopy transmission or email shall be deemed to have been received the next business day.

13. OTHER PROVISIONS

13.1. The parties to this Agreement undertake toward each other to make, do or execute, at any time, any deed, thing or document necessary or useful to give full effect to this Agreement.

13.2. This Agreement constitutes the complete and final agreement among the parties regarding the matters set forth herein and replaces all prior contracts, agreements, commitments and understandings, verbal or written, including the Conditional Commitment Letter of the [redacted] dated May 27, 2011 and accepted by Fortress on June 1, 2011.

13.3. As the context requires, words importing the singular number include the plural, words importing the masculine gender include the feminine gender and vice versa.

13.4. No modification or amendments to this Agreement shall be valid and binding unless set forth in writing and duly executed by all parties hereto and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give same and, unless otherwise provided, shall be limited to the specific breach waived.

13.5. Any decision of a court to the effect that any of the provisions of this Agreement are null and unenforceable shall in no way affect the other provisions of this Agreement or their validity or enforceability.

13.6. The insertion of section headings is for ease of reference only and shall not affect the interpretation of this Agreement.

13.7. All executed copies of this Agreement constitute originals of one and the same Agreement.

13.8. This Agreement may be executed by the parties hereto at different times and in different places without the parties hereto being in each other's presence.

13.9. The parties agree that all questions concerning the construction, validity and interpretation of this Agreement shall be governed by the laws in force in the Province of British Columbia and shall be submitted and decided by the Courts of the Province of British Columbia, which shall have exclusive jurisdiction in respect thereto.

13.10. This Agreement will enure to the benefit of and be binding upon the respective successors and permitted assigns.

13.11. Time is of the essence in this Agreement. Each party shall be in default by the mere lapse of time for the performance of any of its obligations hereunder without the necessity of any notice to that effect.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the date referred to above.

[redacted]

Per: [redacted]

FORTRESS PAPER LTD.

Per: *[/s/ Chadwick Wasilenkoff]*
Chadwick Wasilenkoff
Chief Executive Officer

SCHEDULE A

Form of Debenture Certificate

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THE SECURITIES SHALL NOT TRADE THE SECURITIES BEFORE [insert date that is four months plus one day after the date of issuance of the Debenture]

FORTRESS PAPER LTD.
incorporated under the laws of the Province of British Columbia

UNSECURED DEBENTURE

[•] , 2012

$25,000,000 **N°: 1-2012**

1. PROMISE TO PAY

1.1. Fortress Paper Ltd (the "Corporation") for value received hereby acknowledges its obligation and promises to pay to the [redacted] (the "[redacted]") the principal sum of $25,000,000 plus interest on such amount at a rate of 7% per annum, calculated semi-annually. Interest is payable within 10 business days following the last day of each fiscal semi-annual period following the date hereof. The first interest instalment shall be due on [•] , 2012 and shall be calculated on the basis of the number of days passed since the issue of this Debenture.

1.2. If an Event of Default (as defined below) has occurred, and as long as such Event of Default continues, the Corporation shall also pay to the [redacted] supplementary interest on all principal and interest that is due and unpaid, at the rate of 10% per annum, calculated on a daily basis and compounded semi-annually.

1.3. All sums payable in accordance with the abovementioned paragraphs will be paid by way of electronic wire transfer.

2. REPAYMENT

2.1. This Debenture's principal amount shall be repaid by the Corporation as one lump sum repayment (along with any unpaid interest accrued thereon) on [•] , 2017 (the "**Due Date**"), subject to the terms contained herein with respect to earlier payments.

3. MANDATORY PREPAYMENT

3.1. In the event that prior to the Due Date, an Event of Default occurs, then the [redacted] shall have the right to require, upon written notice, the immediate repayment of this Debenture, plus accrued and unpaid interest. The Corporation shall also reimburse all reasonable fees and expenses incurred by the [redacted] in asserting its rights.

4. CONVERSION

4.1. This Debenture shall be convertible, in whole or in part, at the option of the [redacted] into common shares of the Corporation (the "**Common Shares**") at any time after the date hereof and prior to the close of business on the last business day prior to the Due Date at a conversion price (the "**Conversion Price**") equal to $• **[**the volume weighted average price of the Common Shares on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the Closing Date (the "Trading Price") plus a premium equal to 50% of the Trading Price**]**.

4.2. To exercise its conversion right, the [redacted] shall surrender this Debenture at the registered office of the Corporation together with a written notice duly executed by the [redacted] stating that the [redacted] elects to convert and the amount which the [redacted] has elected to convert (the "**Notice of Conversion**"). Upon receipt of a Notice of Conversion, the Corporation shall issue to the [redacted] the Common Shares issuable upon such conversion as fully paid and non-assessable shares in the capital of the Corporation. In the case of a partial conversion, the Corporation shall issue a new form of debenture, in the form of this Debenture, representing the balance of the principal amount. This Debenture will be deemed to be surrendered for conversion on the third business day following the date it is received by the Corporation with the Notice of Conversion in accordance herewith and the [redacted] shall be deemed, as of such date, to be the registered holder of the Common Shares issuable upon conversion.

4.3. The Corporation covenants that it will allot such number of Common Shares as will then be issuable or deliverable upon conversion of the principal amount of this Debenture.

4.4. The Corporation shall not proceed with any corporate reorganization or modify its articles without providing for an adjustment mechanism regarding the conversion right of the [redacted], as applicable. The

Corporation shall make all appropriate adjustments so as to ensure that the [redacted] shall be, after conversion, in the same situation as if such reorganization or modification had not taken place.

5. EARLY REPAYMENT

5.1. From the second anniversary date of the issuance of this Debenture, the Corporation shall have the option (the "**Early Repayment Option**"), subject to Section 5.3, to repay in advance this Debenture, in whole or in part, at par plus accrued and unpaid interest, if and only if the volume weighted average trading price of the Common Shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the Notice of Repayment (as defined below) is given (the "**20-Day Price**") is not less than 125% of the Conversion Price.

5.2. To exercise the Early Repayment Option, the Corporation shall send to the [redacted] a written notice duly executed by the Corporation stating that the Corporation wishes to exercise the Early Repayment Option and the amount in respect of which the early repayment would be made (the "**Notice of Repayment**"). A detailed calculation of the 20-Day Price shall be attached to the Notice of Repayment.

5.3. Upon receipt by the [redacted] of a Notice of Repayment, the [redacted] shall have the right, for a period of 45 days following such receipt (the "**45 -day Period**"), to exercise its option to convert this Debenture, in whole or in part, in accordance with Section 4. If a Notice of Conversion has not been sent by the [redacted] at the expiration of the 45-Day Period, the Corporation shall repay to the [redacted] the amount set forth in the Notice of Repayment within ten business days of the expiration of the 45-Day Period, failing which the Corporation shall be deemed in default hereunder.

5.4. In the case of a partial early repayment, the Corporation shall issue a new form of debenture, in the form of this Debenture, representing the balance of the principal amount. Any amount received by the [redacted] will be first applied to pay any accrued and unpaid interest, as the case may be.

6. GENERAL UNDERTAKINGS

6.1. The Corporation undertakes to comply with its obligations set out herein and in the Debenture Subscription Agreement entered into between the

Corporation and the [redacted] on [•] , 2012 (the "**Subscription Agreement**").

7. **DEFAULT**

The occurrence of any of the following events in respect of the Corporation or Fortress Global Cellulose Ltd. ("**FGC**") shall constitute an event of default hereunder (an "**Event of Default**"):

7.1. the Corporation fails to repay the principal amount of this Debenture upon the Due Date;

7.2. the Corporation fails to remit any interest payment when due, and such default is not cured by the Corporation within 45 days following the receipt of written notice from the [redacted] to that effect;

7.3. the Corporation fails to comply with any covenant set out in the Subscription Agreement in any material respect, and such default is not cured by the Corporation within 60 days following the receipt of written notice from the [redacted] to that effect;

7.4. FGC is in default under the agreement entered into with the [redacted] dated [•] ,2012, and such default is not cured by FGC within 60 days following the receipt of written notice from the [redacted] to that effect;

7.5. the Corporation (i) is subject directly or indirectly to a change of control, or (ii) sells, disposes or otherwise transfers all or substantially all of its assets;

7.6. the Corporation becomes insolvent under the *Bankruptcy and Insolvency Act* or any other applicable bankruptcy or insolvency legislation; and

7.7. the Corporation files a notice of intention or a proposal to its creditors or proceeds with the assignment of its property or with any other action taken within the framework of insolvency or creditors arrangements legislation, including the appointment of a trustee or a receiver for the business and finances of the Corporation.

8. **ASSIGNMENT AND RANK**

8.1. This Debenture is assignable, in whole or in part, by the [redacted] in favour of [redacted] or any other investment fund which the [redacted] shall represent as being part of its network, and of which the [redacted] holds a majority of voting and participating shares or units. This Debenture is not assignable by the Corporation.

8.2. This Debenture ranks concurrently with the other ordinary unsecured creditors of the Corporation.

9. General provisions

9.1. In the event this Debenture shall be lost, the Corporation shall issue a new debenture in lieu of and in substitution for the same, and the new debenture shall be in a form substantially identical to this Debenture. The new debenture may have endorsed upon it the fact that it is in replacement of this Debenture. The new debenture shall be issued by the Corporation upon the [redacted] having furnished to the Corporation such evidence of the loss of the Debenture and such other documents as shall be satisfactory to the Corporation in its discretion, acting reasonably, and having furnished an indemnity and statutory declaration satisfactory to the Corporation in its discretion, acting reasonably.

9.2. Any notice required hereunder must be given in writing and shall contain all information required to allow for the exercise of the right, the choice or the relevant decision, in an informed manner. Such notice shall be sent in accordance with the notice provision of the Subscription Agreement.

9.3. All recourses of the [redacted] may be exercised independently or together. Furthermore, exercise of the conversion right for a portion of the principal amount of this Debenture shall not be interpreted as a waiver of the right to require total repayment of this Debenture for the non-converted balance. In addition, failure to exercise a recourse does not invalidate said recourse and may not be interpreted as a waiver of default.

9.4. All questions concerning the construction, validity and interpretation of this Debenture shall be governed by the laws in force in the Province of British Columbia and shall be submitted and decided by the Courts of the Province of British Columbia, which shall have exclusive jurisdiction in respect thereto.

IN WITNESS WHEREOF, the Corporation has signed this Debenture at the date set out on the first page hereof.

FORTRESS PAPER LTD.

Per: ______________________________
Chadwick Wasilenkoff
Chief Executive Officer

SCHEDULE B

Representations and Warranties of Fortress

Fortress represents and warrants to [redacted] (and acknowledges that [redacted] is relying thereon) that:

(a) Fortress is a valid and subsisting corporation duly incorporated under the laws of the Province of British Columbia and is in good standing under the laws of each jurisdiction in which it carries on business;

(b) Fortress has the capacity and necessary power and authority to execute, deliver and perform its obligations under this Agreement and to permit the issuance of the Debenture and the common shares issuable upon conversion thereof;

(c) each of the subsidiaries of Fortress is a corporation duly incorporated and existing in good standing under the laws of its jurisdiction of incorporation;

(d) Fortress is authorized to issue an unlimited number of common shares without par value and an unlimited number of Class B preferred shares with a par value of $1,000 of which 14,303,594 common shares and no preferred shares are issued and outstanding as of the date hereof;

(e) all of the outstanding shares of the subsidiaries of Fortress are owned of record and beneficially by Fortress or its subsidiaries;

(f) to the best of its knowledge, except as otherwise now or hereafter publicly disclosed or as otherwise disclosed in writing to [redacted], no person has any written or oral agreement, option, warrant, understanding or commitment, or any right or privilege capable of becoming such under which Fortress or any of its subsidiaries is, or may become, obligated to issue any of its respective securities or for the purchase of any security (including debt) of Fortress or any of its subsidiaries or any material property or assets used in the business of Fortress;

(g) Fortress has duly authorized, executed and delivered this Agreement and this Agreement constitutes a legal, valid and binding obligation of Fortress, enforceable in accordance with its terms, provided that enforcement may be limited by bankruptcy, insolvency and other similar laws of general application affecting the enforcement of creditors' rights generally, specific performance, injunctive relief and other equitable remedies granted in the discretion of a court of competent jurisdiction, indemnity and related rights under applicable law and that provisions relating to severing unenforceable provisions may be limited by applicable law;

(h) the execution, delivery and performance by Fortress of its obligations under this Agreement and the issuance, sale and delivery of the Debenture by Fortress:

- (i) has been duly authorized by all necessary corporate action on the part of Fortress;

(ii) does not require the consent, approval, authorization, registration or qualification of or with any governmental authority, stock exchange, securities commission or other regulatory authority or other third party, except: (I) those which have been obtained; (II) conditional listing approval as may be required under applicable stock exchange policies and which will be obtained prior to the Closing Date; or (III) those which have not been obtained and would not result in a material adverse effect on Fortress; and

(iii) does not and will not (or will not with the giving of notice, the lapse of time or the happening of any other event or condition) result in a breach or a violation of, or conflict with or result in a default under, or allow any other person to exercise any rights under, any of the terms or provisions of the notice of articles, articles or resolutions of the board of directors (or any committee thereof) or security holders of Fortress, or any judgment, decree, order or award of any court, governmental body or arbitrator having jurisdiction over any of them, or any agreement, license or permit to which any of them is a party;

(i) Fortress has carried out its affairs in compliance in all material respects with the terms and provisions of applicable law and is not in material violation of or in material default in the performance of any mortgage, note, indenture, deed of trust, contract, agreement (written or oral), instrument, lease, licence or other document to which it is a party or by which it is bound or to which its property or assets or any of them is subject;

(j) it will have policies of insurance in respect of the Mill effective as of the Closing Date;

(k) the Debenture to be issued in connection with the sale of the Debenture to [redacted] (the "**Offering**") and the common shares issuable upon conversion thereof have been, or prior to the Closing Date will be, duly created and, when issued, delivered and paid for in full , will not have been issued in violation of or subject to any pre-emptive rights or contractual rights to purchase securities issued by Fortress; and

(l) no securities commission, stock exchange or comparable authority has issued any order preventing or suspending the distribution of the Debenture or the common shares issuable upon conversion thereof or the trading of securities of Fortress generally and Fortress is not aware of any investigation, order, inquiry or proceeding which has been commenced or which is pending, contemplated or threatened by any such authority.

SCHEDULE C

Representations and Warranties of [redacted]

[redacted] represents and warrants to Fortress (and acknowledges that Fortress is relying thereon) that:

(a) it has the legal capacity to enter into and be bound by this Agreement and further certifies that all necessary approvals of directors or otherwise have been given and obtained;

(b) this Agreement has been duly and validly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of [redacted];

(c) the entering into of this Agreement and the transactions contemplated hereby will not result in a violation of any of the terms or provisions of any law applicable to [redacted], any of [redacted]' constating documents, or any agreement to which [redacted] is a party or by which it is bound;

(d) it is aware of restrictions with respect to trading in the Debenture and the common shares issuable upon conversion thereof imposed by applicable securities legislation in Quebec, confirms that no representation has been made to it by or on behalf of Fortress with respect thereto, acknowledges that it is aware of the characteristics of the Debenture and the common shares issuable upon conversion thereof, the risks relating to an investment therein and of the fact that it may not be able to resell the Debenture or any portion thereof or any common shares issuable upon conversion thereof except in accordance with limited exemptions under applicable securities legislation and regulatory policy until the expiry of the applicable hold period and compliance with the other requirements of applicable law, and it agrees that any certificates representing the Debenture and the common shares issuable upon conversion thereof shall bear the following legend:

> (i) "UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THE SECURITIES SHALL NOT TRADE THE SECURITIES BEFORE [insert date that is four months plus one day after the date of issuance of the Debenture]";

(e) it has not received or been provided with, nor has it requested, nor does it have any need to receive, any offering memorandum, prospectus, sales or advertising literature or any other document describing or purporting to describe the business and affairs of Fortress or the risks associated therewith in order to assist it in making an investment decision in respect of the Debenture;

(f) it has not become aware of any advertisement in printed media of general and regular paid circulation (or other printed public media), radio, television or telecommunications or other form of advertisement (including electronic display) with respect to the distribution of the Debenture;

(g) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Debenture, there is no government or other insurance covering the Debenture and there are risks associated with the purchase of the Debenture;

(h) it has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment and it is able to bear the economic risk of loss of its entire investment;

(i) other than as set out herein, it has not relied upon any verbal or written representation as to fact or otherwise made by or on behalf of Fortress;

(j) it understands that the Debenture is being offered for sale only on a "private placement" basis and acknowledges that Fortress has advised [redacted] that Fortress is relying on an exemption from the requirements to provide [redacted] with a prospectus and to sell securities through a person registered to sell securities under applicable securities legislation and, as a consequence of acquiring securities pursuant to this exemption, certain protections, rights and remedies provided by applicable securities legislation, including statutory rights of rescission or damages, will not be available to [redacted]; [redacted] may not receive information that would otherwise be required to be provided to [redacted] under applicable securities legislation; and Fortress is relieved from certain obligations that would otherwise apply under applicable securities legislation;

(k) if required by applicable securities legislation, regulations, instruments, rules, policies or orders or by any securities commission, stock exchange or other regulatory authority, [redacted] will execute, deliver, file and otherwise assist Fortress in filing such reports, undertakings and other documents with respect to the issue of the Debenture and the common shares issuable upon conversion thereof as may be required;

(l) it will not resell the Debenture and the common shares issuable upon conversion thereof except in accordance with the provisions of applicable securities legislation and stock exchange rules, if applicable, in the future;

(m) [redacted] acknowledges that Fortress may in the future be required to disclose the [redacted]' name and other information relating to this Agreement and the [redacted]' subscription hereunder;

(n) it acknowledges that:

(i) this Agreement requires [redacted] to provide certain personal information to Fortress and that such information is being collected by Fortress for the purposes completing this Offering, which includes, without limitation, determining [redacted]' eligibility to purchase the Debenture under applicable securities legislation, preparing and registering certificates representing the Debenture to be issued to [redacted] and completing filings required by any stock exchange or securities regulatory authority;

(ii) [redacted]' personal information may be disclosed by Fortress to: (I) stock exchanges or securities regulatory authorities; (II) Fortress' registrar and transfer agent; and (III) any of the other parties involved in the Offering, including legal counsel, and may be included in record books in connection with the Offering; and

(iii) by executing this Agreement, [redacted] is deemed to be consenting to the foregoing collection, use and disclosure of [redacted]' personal information and [redacted] also consents to the filing of copies or originals of any of the documents delivered by [redacted] in relation to this Offering as may be required to be filed with any stock exchange or securities regulatory authority in connection with the transactions contemplated hereby;

(o) it is purchasing the Debenture as principal for its own account, not for the benefit of any other person, for investment only and not with a view to the resale or distribution of the Debenture and it is a resident of Quebec;

(p) it is an "accredited investor" (as that term is defined in National Instrument 45-106 Prospectus and Registration Exemptions);

(q) [redacted] has no knowledge of a "material fact" or "material change" (as those terms are defined under applicable securities laws) in the affairs of Fortress that has not been generally disclosed to the public, other than knowledge of this particular transaction; and

(r) [redacted] is not a "control person" of Fortress as defined under applicable securities laws and will not become a "control person" by virtue of this purchase of the Debenture.

SCHEDULE D

Form of Legal Opinion

[•] , 2012

[redacted]

Re: Fortress Paper Ltd.
Issuance of Unsecured Debenture

Dear Sirs/Madams:

We have acted as legal counsel to Fortress Paper Ltd. (the "**Corporation**") in connection with the subscription by [redacted] to an unsecured debenture of the Corporation (the "**Debenture**") for a total consideration of $25,000,000 pursuant to a debenture subscription agreement dated [•] , 2011 (the "**Subscription Agreement**").

For the purpose of issuing the opinions set out in this opinion letter, we have examined executed copies of the following documents:

(a) the Subscription Agreement; and

(b) the Debenture.

The Debenture and the Subscription Agreement are hereinafter collectively referred to as the "**Documents**".

In addition, we have examined such statutes, public records, corporate records and documents and certificates of public officials and officers of the Corporation, have considered such matters of law and have made such inquiries as we have considered appropriate or necessary as the basis for the opinions expressed herein, including:

(a) a copy of the Notice of Articles and Articles of the Corporation and amendments thereto (the "**Constating Documents**");

(b) a certificate of status issued by the Province of British Columbia in respect of the Corporation dated [•] , 2012 (the "**Status Certificate**");

(c) an officer's certificate of the Corporation dated [•] , 2012, as to certain factual matters affecting the Corporation (the "**Officer's Certificate**");

(d) a letter from Computershare Trust Company of Canada, the Corporation's registrar and transfer agent, dated [•] , 2012, confirming the total number of common shares of the Corporation issued and outstanding as of such date (the "**Computershare Certificate**");

(e) certified copies of the resolutions of the directors of the Corporation approved on [•] , 2012 authorizing and approving, among other things, the Subscription Agreement, the creation and issuance of the Debenture and the allotment and issuance of the common shares issuable upon conversion of the Debenture (the "**Certified Resolutions**"); and

(f) a letter dated [•] , 2012 from the Toronto Stock Exchange (the "**TSX**") conditionally approving the listing and posting for trading of the common shares issuable upon conversion of the Debenture (the "**TSX Letter**").

For the purpose of issuing the opinions set out in this opinion letter, we have assumed, with your authorization:

(a) the genuineness of all signatures on each document that we have examined, the authenticity and completeness of all documents submitted to us as originals, and the conformity to authentic and complete original documents of all documents submitted to us as copies, whether photostatic, telecopied or otherwise;

(b) the identity and capacity of all individuals acting or purporting to act as public officials;

(c) all facts set forth in official public records and certificates and other documents supplied by public officials or otherwise conveyed to us by public officials are and remain at all material times complete, true and accurate;

(d) the legal power, authority and full legal capacity of all individuals at all relevant times;

(e) each party to the Documents (other than the Corporation) and each party to each certificate, resolution or other document we have examined for the purpose of the opinions expressed in this opinion letter is a validly existing legal person under the laws governing its legal existence, has all requisite capacity, power and authority to execute, deliver and perform the Documents, certificates, resolutions and other documents to which it is a party, has taken all necessary management, statutory, regulatory and other action to duly and validly authorize the execution, delivery and performance by it of such Documents, certificates, resolutions and other documents and has duly executed and delivered such documents, and such Documents, resolutions, certificates and other documents constitute legal, valid and binding obligations of each such party enforceable against each such party in accordance with their respective terms;

(f) none of the documents, originals or copies which we have examined has been amended, and there are no agreements or understandings between the parties, written or oral, and there is no usage of trade or course of prior dealing between the parties that would, in any case, define, supplement, qualify or otherwise amend, in whole or in part, the terms of the Documents;

(g) no "offering memorandum" as defined under the "securities legislation" (as this term is defined in Regulation 14-101 respecting Definitions ("**NI 14-101**")) or other document purporting to describe the business and affairs of the Corporation to assist in making an investment decision in respect of the Debenture was prepared or delivered to [redacted];

(h) at the time of any distribution of or trade in the securities herein referred to, no effective order, ruling or decision issued or granted by a securities commission, court of competent jurisdiction, regulatory or administrative body having jurisdiction is in effect that has the effect of restricting any such distribution or trade or affecting any person who engages in such distribution or trade.

Our opinions expressed herein are limited to the laws of the Province of British Columbia and the federal laws of Canada applicable therein in force on the date hereof. We have made no investigation of any laws other than the above-mentioned laws. We assume no responsibility to update our opinions if such laws are amended, revoked, revised or supplemented in any way which impacts on the opinions contained herein following the date hereof or if there is any change in fact or facts after the date hereof.

The term "Securities Laws", when used herein, means the applicable securities laws in the Province of British Columbia and the respective regulations and rules under such laws together with applicable published policy statements of the British Columbia Securities Commission having the force of law as of the date hereof.

For the purposes of the opinion expressed in paragraph 1 below, we have relied solely on the Status Certificate. For the purposes of the opinion expressed in paragraph 2 below, we have relied solely on the Computershare Certificate, the Constating Documents and the Officer's Certificate. For the purposes of the opinions expressed in paragraphs 3 and 4 below, we have relied, with respect to factual matters, on the Officer's Certificate. For the purposes of the opinion expressed in paragraph 6 below, we have relied solely on the Certified Resolutions. For the purposes of the opinion expressed in paragraph 7 below, we have relied exclusively upon the TSX Letter.

Based upon and relying upon the foregoing and subject to the assumptions, qualifications and limitations set out in this opinion letter, we are of the opinion that:

1. The Corporation is a corporation organized and validly existing under the laws of the Province of British Columbia.

2. The Corporation is authorized to issue an unlimited number of common shares (the "**Common Shares**") and an unlimited number of Class B Preferred Shares, of which [•] Common Shares and no Class B Preferred Shares were issued and outstanding as [•] , 2012.

3. The Corporation has all requisite corporate power and authority to issue the Debenture and to execute and deliver the Documents, and all necessary corporate action has been taken by the Corporation to authorize the issuance of the Debenture and the execution and delivery by the Corporation of the Documents.

4. The Documents have each been duly executed and delivered by the Corporation and constitute legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their respective terms.

5. No authorization, approval, consent or order of any government, governmental agency, regulatory body or court in Canada is required to be obtained by the Corporation under the laws of the Province of British Columbia or with respect to the federal laws of Canada applicable therein, except as have been obtained in connection with the valid authorization, issue and sale of the Debenture.

6. The Common Shares issuable upon conversion of the Debenture in accordance with its terms have been duly authorized for issuance and upon the conversion of the Debenture in accordance with its terms, will be validly issued as fully paid and non-assessable shares of the Corporation.

7. The TSX has conditionally approved the listing of the Common Shares issuable upon conversion of the Debenture.

8. The issuance and sale by the Corporation of the Debenture to [redacted] in accordance with and pursuant to the terms of the Subscription Agreement, is exempt from the prospectus requirements of Securities Laws and no other document is required to be filed, no proceeding is required to be taken and no approval, permit, consent or authorization of regulatory authorities is required to be obtained by the Corporation under Securities Laws to permit such issuance and sale, other than the requirement of the Corporation to file reports prepared and executed in accordance with Form 45-106F1 and Form 45-106F6 of National Instrument 45-106 -Prospectus and Registration Exemptions with the British Columbia Securities Commission and the Autorité

des marchés financiers in Quebec, together with the payment of fees, within ten days of the date of distribution.

9. The issuance of the Common Shares by the Corporation to [redacted] upon conversion of the Debenture in accordance with its terms is exempt from the prospectus requirements of Securities Laws and no document is required to be filed, no proceedings are required to be taken, and no approvals, permits, consents or authorizations are required to be obtained under Securities Laws to permit the issuance of such Common Shares by the Corporation pursuant to the conversion of the Debenture in accordance with its terms to [redacted].

10. The first trade in the Debenture and the Common Shares issuable upon conversion of the Debenture, other than a trade which is otherwise exempt from the prospectus requirements under the Securities Laws, will not be deemed to be a distribution within the meaning given to that term under Securities Laws provided that:

    (a) the Corporation is and has been a "reporting issuer" in a jurisdiction in Canada for the four months immediately preceding the trade;

    (b) at the time of the trade, at least four months have elapsed from the date of issuance of the Debenture;

    (c) the certificates evidencing the Debenture and the Common Shares issued upon conversion of the Debenture, if any, issued on or before the date that is four months from the "distribution date", as that term is defined in National Instrument 45-102 - Resale of Securities ("NI 45-102"), are endorsed with the legend required by Section 2.5(2)(3) of NI 45-102;

    (d) at the time of such first trade, the trade is not a "control distribution" (as such term is defined in NI45-102);

    (e) at the time of such first trade, no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade;

    (f) at the time of such first trade, no extraordinary commission or consideration is paid to a person or company in respect of the trade; and

    (g) at the time of such first trade, if the seller is an insider or officer of the Corporation, the seller has no reasonable grounds to believe the Corporation is in default of "securities legislation" (as this term is defined in National Instrument 14-101 -Definitions).

The opinions expressed above are expressly subject to the following qualifications:

(a) the enforceability of each Document or any judgment arising out of or in connection with each Document may be limited by bankruptcy, reorganization, winding-up, insolvency, moratorium, arrangement, fraudulent preference and conveyance, assignment and preference and other similar laws of general application affecting the enforcement of creditor's rights;

(b) no opinion is given as to the enforceability of any term providing for the severance of void, illegal or unenforceable provisions from the remaining provisions of an agreement;

(c) no opinion is given as to the enforceability of any term in a Document providing that modifications, amendments or waivers are not binding unless in writing;

(d) no opinion is given as to the legality, validity, binding nature or enforceability of the provisions of the Documents purporting to waive the application of provisions which are of public order in applicable laws;

(e) the enforceability of the obligations of a party under any agreement is subject to general principles of equity, including, without limitation:

  (i) concepts of materiality, reasonableness, good faith and fair dealing in performance and enforcement of a contract required of the party seeking its enforcement;

  (ii) the discretion exercisable by a court with respect to equitable remedies, such as specific performance and injunction;

  (iii) the discretion exercisable by a court with respect to stays of enforcement proceedings and execution of judgments;

  (iv) the effect of vitiating factors, such as mistake, misrepresentation, fraud, duress or undue influence;

  (v) the discretion of a court with respect to the enforcement of provisions in an agreement to the effect that certain factual or legal determinations, calculations or certificates will be conclusive and binding; and

(f) a securities regulator under Securities Laws has the authority to deny the benefit of an exemption otherwise provided for in the applicable securities laws where the regulator considers it necessary to do so to protect investors and/or the public interest.

This opinion is given solely for the benefit of the addressees named hereinabove in connection with the matters described in this letter opinion.

Yours truly,

[redacted]