

FORM 51-102F3

MATERIAL CHANGE REPORT

1. Reporting Issuer:

FORTRESS PAPER LTD. (the "Company")
2nd Floor, 157 Chadwick Court
North Vancouver, B.C.
V7M 3K2

2. Date of Material Change:

The material change described in this report occurred on July 27, 2016.

3. News Release:

On July 27, 2016, the Company issued a press release through the facilities of Marketwired. A copy of the press release announcing the material change is set out at Appendix "A" to this report.

4. Summary of Material Change:

Fortress Global Cellulose Ltd. and Fortress Lumber Corp., each a wholly owned subsidiary of the Company, successfully closed the asset purchase agreement entered into with LSQ Energy, L.P. and LSQ Development, L.P, which provides for the sale of all of the assets relating to the non-operating pulp mill and sawmill, as well as the cogeneration facility, located in Lebel-sur-Quévillon, Québec.

5. Full Description of Material Change:

See attached press release set out in Appendix "A" to this report.

6. Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

7. Omitted Information:

Not applicable.

8. Executive Officer:

The following executive officer of the Company is knowledgeable about the material change and this report and may be contacted by any of the securities commissions respecting the material change and this report:

Kurt Loewen
Chief Financial Officer
Telephone: (604) 904-2328

9. Date of Report:

August 3, 2016

Appendix "A"



FORTRESS PAPER ANNOUNCES COMPLETION OF THE SALE OF THE LEBEL-SUR-QUÉVILLON PULP MILL AND SAWMILL ASSETS

VANCOUVER, British Columbia, July 27, 2016 – Fortress Paper Ltd. ("**Fortress Paper**" or the "**Company**") (TSX:FTP) is pleased to announce that its wholly owned subsidiaries, Fortress Global Cellulose Ltd. ("**Fortress Global**") and Fortress Lumber Corp. (together with Fortress Global, the "**Vendor**"), have successfully closed the asset purchase agreement (the "**APA**") entered into with LSQ Energy, L.P. and LSQ Development, L.P. (collectively, the "**Purchaser**"), previously announced on June 23, 2016. The APA provides for the sale of all of the assets relating to the non-operating pulp mill and sawmill, as well as the cogeneration facility, located in Lebel-sur-Quévillon, Québec. Pursuant to the closing of the APA, the trust agreement among BMO Trust Company, 9109-3294 Québec Inc. ("**9109**"), Domtar Inc. and Fortress Global dated June 13, 2012 (the "**Trust Agreement**") was amended, and the Purchaser assumed \$7.5 million of the Vendor's liabilities thereunder, which amount has been paid to the trustee pursuant to the amended Trust Agreement and to 9109 in repayment of amounts previously paid into the trust. The Company also obtained the release of the letters of credit in the aggregate amount of \$1.125 million which had been previously deposited with Hydro Québec Distribution in connection with an electricity supply contract.

Concurrent with the closing, the Company assigned and transferred a \$7.0 million note received from the Purchaser to Investissement Québec ("**IQ**"), acting on behalf of the Québec Government, as early repayment of the principal amounts due in 2017 pursuant to the terms of the indebtedness owed to IQ by Fortress Specialty Cellulose Inc. ("**FSC**"). In addition, as consideration for the early repayment of principal and the guarantee of the note provided by FSC, IQ agreed to defer an aggregate amount of \$6.3 million of quarterly principal payments otherwise payable on September 30, 2017, December 31, 2017 and March 31, 2018, without penalty or interest accruing on such amounts for one year. The remaining principal amount will be amortized in equal quarterly installments commencing June 30, 2018 over the remaining term of the loan.

About Fortress Paper

Fortress Paper operates internationally in two distinct business segments: dissolving pulp and security paper products. The Company operates its dissolving pulp business at the Fortress Specialty Cellulose Mill located in Canada, which has expanded into the renewable energy generation sector with the construction of a cogeneration facility. The Company operates its security paper products business at the Landqart Mill located in Switzerland, where it produces banknote, passport, visa and other brand protection and security papers.

About Nexolia Bioenergy Inc.

LSQ Energy, L.P. and LSQ Development, L.P. are each a wholly owned subsidiary of Nexolia Bioenergy Inc., a private company focused on investing in natural resources, renewable energy and other projects that could result in a sustainable economic development and job creation, provide services and resources to northern communities while operating in a transparent and respectful manner towards the communities and the environment.

For more information, please contact:
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604-904-2328 or info@fortresspaper.com