



TSX: FTP

FORTRESS PAPER ANNOUNCES SECOND QUARTER 2016 RESULTS AND APPOINTMENT OF DIRECTOR

Vancouver, British Columbia, August 8, 2016 – Fortress Paper Ltd. ("Fortress Paper" or the "Company") reported 2016 second quarter operating EBITDA of \$6.3 million, an increase of \$5.2 million and \$2.2 million over the previous quarter and prior year comparative period, respectively. The Dissolving Pulp Segment generated operating EBITDA of \$3.2 million and the Security Paper Products Segment generated EBITDA of \$4.7 million. Corporate costs included in operating EBITDA were \$1.6 million. The Company is also pleased to announce the addition of Ezra Gardner to the Board of Directors (the "**Board**").

"Management is pleased to report another positive quarter of operating EBITDA, our best consolidated operating EBITDA result since the restart of Thurso after its conversion to a dissolving pulp mill," stated Yvon Pelletier, Chief Executive Officer. "Overall results are much improved over the prior quarter and prior year. Although the second quarter results at Thurso were below management's expectations, the trend is positive and encouraging. Despite a decline in average realized US dissolving pulp prices and unfavourable US exchange rates in the second quarter compared to the first quarter, operating costs contributed to a much improved result. The costs were in the low \$800 range for June and July with cogeneration revenues back on track for the third quarter. We look for continued improvements at the mill from our lean six sigma project teams, which are already improving costs and reliability at the mill. Landqart continues to meet management's expectations. The Landqart sale leaseback of land and building combined with the LSQ sale have provided for improved balance sheet flexibility to manage obligations and seek opportunities for growth."

Second Quarter 2016 Segment Results

Dissolving Pulp Segment generated operating EBITDA of \$3.2 million for the quarter ended June 30, 2016 representing an increase of \$1.9 million when compared to the first quarter of 2016. The results for the quarter ended June 30, 2016 were favourably impacted mainly by improvements in productivity. Operating EBITDA results for the second quarter of 2016 increased by \$1.1 million compared to the second quarter of 2015. The results of the second quarter of 2016 compared to the second quarter of 2015 were impacted by higher dissolving pulp prices and favourable foreign exchange rates on sales. During the quarter ended June 30, 2016, the FSC mill sold 39,931 ADMT of dissolving pulp compared to 31,762 ADMT and 39,664 ADMT in the previous quarter and prior year comparative period, respectively.

Security Paper Products Segment operating EBITDA was \$2.9 million higher when compared to the first quarter of 2016 and \$1.3 million higher compared to the second quarter of 2015. The Landqart mill sold 2,714 tonnes of security paper in the second quarter of 2016, compared to 2,655 and 2,745 tonnes of security paper sales in the first quarter of 2016 and second quarter of 2015, respectively. Security paper production includes banknotes, which result in varying degrees of costs and margins depending on the complexity of the security features included.

Management's Outlook

Dissolving Pulp Segment

Dissolving pulp prices began improving in May 2016; yet still remain below trend pricing which continues to impact results. However, management believes that improving market conditions, a relatively favourable foreign exchange rate to the US dollar and further anticipated improvements in production costs will add to the positive momentum at the FSC mill.

The viscose staple fibre ("VSF") and rayon filament markets, which are key drivers in dissolving pulp demand, have experienced improved supply and demand balance and improved pricing since bottoming in 2015. The price of rayon filament has maintained consistent pricing in 2016, which is 7% above its 2015 lows. VSF prices in August 2016 are higher by approximately 21% over the prior year and approximately 32% from the 2016 low in January.

Management continues to focus on cost reductions, production improvement and power generation to improve margins at the FSC mill. The Lean Six Sigma program, recently implemented at the FSC mill, resulted in both the elimination of the blockage issue experienced during the first quarter of 2016 and uptime improvements in the digester area of the mill. The Lean Six Sigma program will now focus on mill efficiency improvement for the winter months.

The collective agreements with unionized employees at the FSC mill expired on April 30, 2016. Bargaining negotiations are completed and the union membership has voted in favour of the new collective agreement.

During the second quarter of 2016, the Company signed an asset purchase agreement providing for the sale of the buildings, equipment and other ancillary property relating to the non-operating pulp mill and sawmill, as well as the energy generation, connection and transmission plant and related equipment, located in Lebel-sur-Quévillon, Québec for an aggregate purchase price of \$15.4 million. The purchase price comprised of: (i) a \$7.0 million secured note; (ii) the assumption by the purchaser of up to \$7.5 million of the liabilities under an environmental trust agreement; and (iii) certain other liabilities totaling approximately \$0.9 million. The transaction completed in July 2016. Concurrent with the sale, the Company assigned and transferred the \$7.0 million note to a lender of the Company as early repayment of principal amounts due in 2017 in respect of its outstanding loan at the FSC mill. In addition, as consideration for such early repayment of principal and a guarantee of the note provided by the Company, the lender has agreed to defer an aggregate of \$6.3 million of quarterly principal payments otherwise payable 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.

Security Paper Products Segment

The Landqart mill continues to build on a strong order book for the remainder of 2016 and 2017, comprised of a mix of new and repeat orders. Results at the Landqart mill for the quarter ended June 30, 2016 were higher than the first quarter of 2016 and consistent with management expectations. A new piece of equipment for the finishing line has been ordered to eliminate the main bottleneck at the mill in order to increase finished product capacity by up to 15%, depending on product mix, by the third quarter of 2017. Capital expenditure for the project is estimated at CHF 4.0 million of which the majority is financed on favourable terms.

During the second quarter of 2016, the Company entered into a sale and leaseback agreement for the sale of its land and buildings relating to its security paper business in the Security Paper Products Segment for the aggregate purchase price of CHF 44.5 million (approximately CDN \$59 million), which completed in July 2016. The agreement provides for the leaseback to Landqart of such lands and buildings pursuant to a 20 year triple-net-lease, which is renewable for an additional two 10 year periods on the same terms and conditions with Landqart having certain repurchase rights.

For a summary of significant developments please refer to the Management's Discussion and Analysis for the three and six month periods ended June 30, 2016 (available on SEDAR at www.sedar.com).

Selected Financial Information

The selected financial information presented herein is qualified in its entirety by, and should be read in conjunction with, the Company's unaudited condensed consolidated financial statements as at and for the three and six month periods ended June 30, 2016 and the related notes thereto and Management's Discussion and Analysis, which are available on SEDAR.

Reference is made in this news release to operating EBITDA (defined as net income before interest, income taxes, depreciation, amortization, non-operating income and expenses and stock-based compensation), which the Company considers to be an indicative measure of operating performance and a metric to evaluate profitability. Operating EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to net loss or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating this measure, the Company's operating EBITDA may not be directly comparable with similarly titled measures used by other companies. Reconciliation of operating EBITDA to net loss reported in accordance with IFRS is included below.

Selected Financial Information and Statistics

(thousands of dollars, except shipments, unaudited)	Q2 2016	Q1 2016	Q2 2015
Sales	87,993	80,012	74,028
Operating EBITDA ⁽¹⁾	6,307	1,055	4,051
Net income (loss)	6,893	(13,041)	(7,497)
Paper shipments (tonnes)	2,714	2,655	2,745
Pulp shipments (ADMT)	39,931	31,762	39,664

⁽¹⁾ See Net Loss to Operating EBITDA Reconciliation.

A conference call to discuss the financial results for the second quarter 2016 will be held on August 9, 2016 at 9:00 a.m. (PDT). To participate in the conference call, please dial one of the following numbers:

604-681-8564 Vancouver
 403-532-5601 Calgary or International
 780-429-5820 Edmonton
 416-623-0333 Toronto
 613-212-0171 Ottawa

514-687-4017 Montreal

Toll Free Dial in Number: 1-855-353-9183 from Canada and USA

Participant pass code: 15086#

Conference Reference Number: 1202168#

A replay of the conference call will be available until midnight, September 8, 2016. To access the replay, listeners may dial 1-855-201-2300 from Canada or the USA or dial 403-255-0697 from local Calgary or International. The conference reference number is 1202168# and the participant pass code to access the replay is 15086#.

A presentation to complement our first quarter earnings conference call is available under the “Investor Relations” section at www.fortresspaper.com or by sending a request to info@fortresspaper.com.

Financial Reconciliations

Net Loss to Operating EBITDA Reconciliation:

(thousands of dollars, unaudited)	Q2 2016	Q1 2016	Q2 2015
Net income (loss)	6,893	(13,041)	(7,497)
Income tax expense	5	5	46
Foreign exchange loss (gain)	561	852	(53)
Net finance expense	5,229	5,179	4,676
Amortization	7,672	7,882	7,270
Change in fair value of marketable securities	288	137	(518)
Stock based compensation	34	41	127
Reversal of impairment on property, plant and equipment	(14,375)	-	-
Operating EBITDA	6,307	1,055	4,051

Appointment of New Director

Fortress Paper is pleased to announce the appointment of Ezra Gardner to the Board of Directors of the Company.

Mr. Gardner is a co-founder and a partner of Varana Capital Partners, LP, a New York based investment partnership. Prior to founding Varana in 2009, Mr. Gardner was Lead Project Manager and Managing Partner at KCPS/Omnium Capital Management, a \$500 million asset management fund based in Tel Aviv, designed to develop the fund management industry in Israel. Mr. Gardner also held the position of Head of Equity Proprietary Trading within UBS' New York based Fundamental Investment Group and served as a member of the U.S. Trading Committee, where he managed a team of portfolio managers and support staff and over \$1 billion of investments. Mr. Gardner also held roles at MSD Capital (Michael Dell's family office) and JP Morgan Investment Banking focusing on M&A and capital markets.

Mr. Gardner holds Bachelors of Arts degrees in Economics (with honors) and International Relations from Brown University.

The Company

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.

For further information please contact:

Mr. Yvon Pelletier, Chief Executive Officer
Fortress Paper Ltd.
604-904-2328 (info@fortresspaper.com)

Forward-Looking Information

This news release contains certain forward-looking information that reflects the current views and/or expectations of the Company with respect to its expectations, beliefs, assumptions, estimates and forecasts about its business and the industry and markets in which it operates. The reader is cautioned that forward-looking information is not a guarantee of future performance and involves known and unknown risks, uncertainties, assumptions and other factors which are difficult to predict and that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information, which is qualified entirely by this cautionary statement. Examples of such forward-looking information contained in this news release include statements relating to: the growth and future prospects of the Company's business; market conditions for dissolving pulp; expectations relating to the renewal of collective agreements; and the benefits that may accrue to the Company as the result of certain dispositions and cost reduction and production improvement initiatives. Assumptions underlying the Company's expectations regarding forward-looking information contained in this news release include, among others: that the Company will be able to effectively market its products; the ability of the Company to realize significant cost-savings from production improvements, cost reduction initiatives and the cogeneration facility at the Fortress Specialty Cellulose Mill; that equipment will operate at expected levels; that labour relations will remain positive; and that the Company's assumptions relating to dissolving pulp markets will be accurate. Persons reading this news release are cautioned that forward-looking information represents predictions only, and that the Company's actual future results or performance are subject to certain risks and uncertainties including, without limitation: that market conditions for dissolving pulp will not improve or will worsen; the Company will not realize anticipated cost savings from its cost reduction initiatives; equipment will not operate as intended; that work stoppages or other disturbances may occur as a result of delays in or the failure of negotiations of new collective agreements; and other risk factors detailed in the Company's most recent Annual Information Form and other filings with Canadian securities regulatory authorities. These risks, as well as others, could cause actual results and events to vary significantly. The Company does not undertake any obligation to update any forward-looking information, except as required by applicable securities law.