FORTRESS PAPER

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

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FORTRESS PAPER LTD.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Canadian dollars, amounts in thousands, unaudited)

	Note	June 30, 2017 $	December 31, 2016 $
ASSETS			
Current			
Cash and cash equivalents		45,364	22,132
Restricted cash		13,126	15,010
Trade accounts receivable		24,697	24,949
Other accounts receivable		10,103	7,399
Inventories		49,031	57,553
Financial instruments	4	405	–
Prepaid expenses		2,341	2,217
		145,067	129,260
Other long-term receivable		7,000	7,000
Property, plant and equipment	5	337,541	345,289
Total assets		489,608	481,549
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		49,518	49,785
Financial instruments	4	–	26
Current portion of long-term debt	6	7,564	25,851
		57,082	75,662
Long-term debt	6	204,379	171,929
Deferred income taxes		135	133
Provisions and other long-term liabilities	11	9,951	12,487
Employee future benefits		7,868	10,789
Total liabilities		279,415	271,000
Shareholders' equity			
Share capital	7	175,290	175,445
Treasury shares	7	–	(2,357)
Contributed surplus		23,978	24,208
Retained deficit		(18,585)	(17,636)
Accumulated other comprehensive income		29,510	30,889
Total shareholders' equity		210,193	210,549
Total liabilities and shareholders' equity		489,608	481,549
Commitments	9		
Subsequent event	11		

(See accompanying notes)

Approved by the Board of Directors:

"Chadwick Wasilenkoff" — Director

"Anil Wirasekara" — Director

FORTRESS PAPER LTD.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Canadian dollars, amounts in thousands except share and per share data, unaudited)

	Note	Three Months Ended June 30, 2017 $	Three Months Ended June 30, 2016 $	Six Months Ended June 30, 2017 $	Six Months Ended June 30, 2016 $
Sales		86,599	87,993	179,059	168,005
Costs and expenses					
Manufacturing and distribution costs		(70,963)	(70,121)	(143,168)	(135,902)
Amortization		(8,586)	(7,672)	(17,108)	(15,554)
Selling, general and administration		(11,887)	(11,565)	(24,653)	(24,741)
Stock-based compensation	8	(276)	(34)	(401)	(75)
Operating loss		(5,113)	(1,399)	(6,271)	(8,267)
Other income (expense)					
Finance expense		(4,141)	(5,314)	(8,658)	(10,551)
Finance income	6	77	85	2,748	143
Gain (loss) on financial instruments	4	427	(288)	453	(425)
Gain on sale of property, plant and equipment		8	–	8	–
Reversal of impairment on property, plant and equipment	5	–	14,375	–	14,375
Reversal of legal provision	11	2,731	–	2,731	–
Foreign exchange gain (loss)		3,907	(561)	4,161	(1,413)
Net loss from operations before taxes		(2,104)	6,898	(4,828)	(6,138)
Income tax recovery (expense)		17	(5)	(4)	(10)
Net (loss) income		(2,087)	6,893	(4,832)	(6,148)
Net(loss) income per share		(0.15)	0.47	(0.34)	(0.42)
Diluted net (loss) income per share		(0.15)	0.45	(0.34)	(0.42)
Weighted average number of shares outstanding					
Basic		14,307,489	14,811,948	14,309,402	14,807,436
Diluted		14,307,489	15,204,905	14,309,402	14,807,436

(See accompanying notes)

FORTRESS PAPER LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Canadian dollars, amounts in thousands, unaudited)

	Three Months Ended June 30, 2017 $	Three Months Ended June 30, 2016 $	Six Months Ended June 30, 2017 $	Six Months Ended June 30, 2016 $
Net (loss) income	(2,087)	6,893	(4,832)	(6,148)
Other comprehensive loss				
Items that may be reclassified subsequently to net loss				
Exchange differences on translation of foreign operations	(2,246)	(1,724)	(1,379)	(3,600)
Items that will not be reclassified to net loss				
Actuarial gain (loss) recognized on employee future benefits (net of taxes of $nil)	597	(1,097)	3,573	(5,047)
Total other comprehensive (loss) income	(1,649)	(2,821)	2,194	(8,647)
Total comprehensive (loss) income	(3,736)	4,072	(2,638)	(14,795)

(See accompanying notes)

FORTRESS PAPER LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Canadian dollars, amounts in thousands, unaudited)

	Note	Six Months Ended June 30, 2017 $	Six Months Ended June 30, 2016 $
Share capital	7		
Balance at beginning of period		175,445	182,204
Restricted share units vested		144	276
Deferred share units vested		–	281
Exercise of stock options		371	–
Common share repurchase		(670)	–
Balance at end of period		175,290	182,761
Treasury shares			
Balance at beginning of period		(2,357)	–
Reversal of liability		2,357	–
Balance at end of period		–	–
Contributed surplus			
Balance at beginning of period		24,208	25,318
Stock-based compensation		285	75
Restricted share units vested		(144)	(276)
Deferred share units vested		–	(281)
Exercise of stock options		(371)	–
Balance at end of period		23,978	24,836
Retained deficit			
Balance at beginning of period		(17,636)	(26,776)
Net loss		(4,832)	(6,148)
Defined benefit plan actuarial gain (loss), net of tax		3,573	(5,047)
Common share repurchase		310	–
Balance at end of period		(18,585)	(37,971)
Accumulated other comprehensive income			
Balance at beginning of period		30,889	35,202
Cumulative translation adjustment on foreign operations		(1,379)	(3,600)
Balance at end of period		29,510	31,602
Total equity		210,193	201,228

(See accompanying notes)

FORTRESS PAPER LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Canadian dollars, amounts in thousands, unaudited)

	Note	Six Months Ended June 30, 2017 $	Six Months Ended June 30, 2016 $
Cash flows from operating activities		(4,832)	(6,148)
Net loss for the period			
Adjustments:			
(Gain) loss on financial instruments		(432)	425
Amortization		17,108	15,554
Reversal of legal provision	11	(2,731)	–
Reversal of impairment on property, plant and equipment		–	(14,375)
Income tax expense		4	10
Foreign exchange loss		(3,357)	1,779
Finance expense, net		5,910	10,408
Employee future benefits greater than contributions		398	469
Stock-based compensation		401	75
		12,469	8,197
Change in non-cash working capital items			
Accounts receivable		(918)	(8,919)
Inventories		9,115	11,799
Prepaid expenses		(96)	(976)
Accounts payable and accrued liabilities and other		4,105	(7,497)
		24,675	2,604
Cash flows from (used by) financing activities			
Repayment of long-term debt	6	(1,550)	(935)
Convertible debt repurchase	6	(25,000)	(2,329)
Additions to long-term debt	6	40,168	–
Common share repurchase	7	(360)	–
Payment of long-term debt interest and financing fees		(5,471)	(5,521)
		7,787	(8,785)
Cash flows from (used by) investing activities			
Additions to property, plant and equipment		(16,651)	(9,598)
Sale of marketable securities		–	3,202
Government grants received		4,781	–
Finance income		122	143
Restricted cash		2,262	6,285
		(9,486)	32
Increase (decrease) in cash position		22,976	(6,149)
Foreign exchange loss on cash and cash equivalents		256	(1,497)
Cash and cash equivalents, beginning of year		22,132	33,964
Cash and cash equivalents, end of period		45,364	26,318

(See accompanying notes)

1. NATURE OF OPERATIONS

Fortress Paper Ltd. (the "Company" or "Fortress") was incorporated on May 30, 2006 under the laws of the Province of British Columbia. The address of the Company's registered office is 157 Chadwick Court – 2nd floor, North Vancouver, British Columbia, Canada V7M 3K2. Fortress 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 also operates a cogeneration facility that produces renewable energy. 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.

2. BASIS OF PRESENTATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). The Board of Directors approved these statements on August 10, 2017.

These unaudited interim financial statements do not include all of the disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements and, accordingly, should be read in conjunction with the consolidated financial statements and notes as at and for the year ended December 31, 2016 (available on SEDAR at www.sedar.com). These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of their application that were applied in the December 31, 2016 consolidated financial statements. For significant estimates and judgments refer to notes 4 and 5 as well as the consolidated financial statements and notes as at and for the year ended December 31, 2016.

3. NEW ACCOUNTING PRONOUNCEMENTS

Accounting standards issued and not applied

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, *Leases,* which requires, among other things, lessees to recognize leases traditionally recorded as operating leases in the same manner as a financing lease. The required adoption date is January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact from the adoption of this standard.

IFRS 9 – Financial Instruments - Classification and Measurement

The final version of IFRS 9 was issued in July 2014 and includes (i) a third measurement category for financial assets, and (ii) a single forward looking expected loss impairment model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company does not anticipate the new standard to have a significant impact on its financial statements.

(Canadian dollars, amounts in thousands except share and per share data, unaudited)

Amendments to IFRS 7 - Financial Instruments: Disclosures

IFRS 7 is amended to require additional disclosures on transition from IAS 39 to IFRS 9. The Amendment of IFRS 7 is effective on adoption of IFRS 9.

IFRS 15 - Revenue from Contracts with Customers

This new standard on revenue recognition supersedes IAS 18 - Revenue, IAS 11 - Construction Contracts, and related interpretations. IFRS 15 is effective for first interim periods beginning on or after January 1, 2018. The Company is currently performing a preliminary assessment of the new standard with the assessment to be finalized in the second half of 2017.

There are no other standards, amendments, or interpretations to existing standards issued but not yet effective which are expected to have a material impact on our consolidated statements.

4. FINANCIAL INSTRUMENTS

The Company's cash and cash equivalents, restricted cash, trade accounts receivable, other accounts receivable, other long-term receivable, accounts payable and accrued liabilities, and long term debt are measured at amortized cost subsequent to initial measurement. Marketable securities and derivative financial instruments are measured at fair value through profit and loss in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 13, *Fair Value Measurement*, which requires the classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The Company uses a variety of derivative financial instruments to reduce its exposure to risks associated with fluctuations in foreign exchange rates.

The three levels of the fair value hierarchy are:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly;
Level 3 – Inputs that are unobservable for the asset or liability.

The following table summarizes the Company's financial instruments measured at fair value at June 30, 2017 and December 31, 2016, and shows the level within the fair value hierarchy in which they have been classified:

	Fair Value Hierarchy Level	June 30, 2017 $	December 31, 2016 $
Derivative financial instruments – held for trading	Level 2	405	(26)
Total financial instruments		405	(26)

The following table summarizes the gain (loss) on financial instruments for the three and six months ended June 30, 2017 and June 30, 2016, respectively:

(Canadian dollars, amounts in thousands except share and per share data, unaudited)

	Three Months Ended June 30, 2017 $	Three Months Ended June 30, 2016 $	Six Months Ended June 30, 2017 $	Six Months Ended June 30, 2016 $
Marketable securities	–	(288)	–	(425)
Derivative financial instrument				
US dollar collars and variable rate forwards	427	–	453	–
Gain (loss) on financial instruments	427	(288)	453	(425)

The Company had the following foreign exchange derivatives at June 30, 2017 and December 31, 2016:

	June 30, 2017		December 31, 2016	
US dollar collars and variable rate forwards	Notional Amount US dollars	Exchange Rates protection/ topside, per dollar	Notional Amount US dollars	Exchange Rates protection/ topside, per dollar
0-12 Months	10,000	1.32/1.40	3,000	1.28/1.39

5. PROPERTY, PLANT AND EQUIPMENT

Impairment of property, plant and equipment

In accordance with the Company's accounting policy, each asset or cash generating unit is evaluated at each reporting date to determine whether there are any indicators of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount has been determined by the Company as the value in use.

The determination of value in use requires management to make estimates and assumptions about expected production and sales volumes, prices, operating costs, capital expenditures, and appropriate discount rates for future cash flows. The estimate and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of operations.

As at June 30, 2017, the Company's market capitalization was lower than the carrying amount of its net assets. Management of the Company determined that this constituted an impairment indicator and completed separate impairment assessments of the Fortress Specialty Cellulose and Landqart mills.

Management used consistent valuation models as those used at December 31, 2016 adjusted for updated key assumptions. Management's impairment evaluation did not result in the identification of an impairment loss at the Fortress Specialty Cellulose mill or the Landqart mill as at June 30, 2017.

(Canadian dollars, amounts in thousands except share and per share data, unaudited)

6. LONG-TERM DEBT

	Note	June 30, 2017 $	December 31, 2016 $
Credit facilities with lenders			
CHF 1,988 (2016: CHF 2,375), interest at 0%, maturing 2020, unsecured		2,555	2,940
CHF 3,188 (2016: CHF 2,048), interest at 2.3%, maturing 2024, secured by certain assets of the Landqart mill	6(a)	4,317	2,706
$99,469 (2016: $99,469) interest at 6.0% and 5.0%, maturing 2026, secured by the assets of the Fortress Specialty Cellulose mill	6(b)	109,928	110,788
$38,960 (2016: nil) interest at 6.5%, maturing 2031, secured by certain assets of the Fortress Specialty Cellulose mill	6(c)	37,642	–
Unsecured convertible debentures			
$ nil (2016: $25,000) principal, interest at 7%, maturing June 2017	6(d)	–	24,633
$62,100 (2016: $62,100) principal, interest at 7%, maturing December 2019		57,501	56,713
		211,943	197,780
Less: Current portion		(7,564)	(25,851)
Long-term debt		204,379	171,929

	June 30, 2017 $	December 31, 2016 $
Principal value of debt	207,538	192,413
Adjustments for unamortized borrowing costs, amounts allocated to equity for convertible debentures, and expected contingent payments	4,405	5,367
Net amount recorded in liabilities	211,943	197,780

At June 30, 2017, the fair value of the long-term debt, measured at its amortized cost of $211,943 was $212,506. The fair value was determined based on prevailing market rates for long-term debt with similar characteristics and risk profile.

Borrowings under the above agreements require maintenance of subsidiary specific minimum ratios of working capital and debt to earnings, maximum ratios of long-term debt to adjusted net worth and debt service coverage, as well as certain non-financial covenants. The Company has been in compliance with all covenants for all periods presented.

At June 30, 2017, the Company's current portion of long term debt, accounts payable and accrued liabilities totaled $57,082, all of which fall due for payment within one year of the statement of financial position date. If necessary, the Company has the ability to repay principal amounts outstanding, subject to receiving requisite approvals, of the $62,100 of convertible debentures due in 2019, in common shares of the Company.

Although there can be no assurances, the Company believes that current cash, cash generated from operations, cashflow derived from improved inventory and cash management, alternative financing arrangements, and other cash generating initiatives, should be sufficient to meet its debt service, capital expenditure and short term working capital requirements. The Company's future operating performance and its ability to service its debt and pay other indebtedness will be subject to future economic conditions and the financial success of the Company's business and other factors, many of which are not within the Company's control, including changes in market prices for its dissolving pulp, security papers and raw material costs.

(a) The company entered into a loan for up to $5,416 (CHF 4,000) for the construction of production equipment at the Landqart mill of which $4,317 (CHF 3,188) has been drawn as at June 30, 2017. Interest will be charged at 2.3% per year with repayment of the loan over a seven year period.

(b) The Company entered into an addendum to a loan agreement with the lender in January 2017 which indicated that interest on the loan will not commence until April 1, 2018.

The lender agreed to subordinate their security rights in relation to the cogeneration assets of the Dissolving Pulp segment in favour of a new lender (Note 6(c)). In consideration of this subordination, the Company agreed to increase the interest rate payable on $40,000 principal amount of the loan owing to the lender to 6% per annum and began paying interest on this portion of the loan in February of 2017. All principal payments to the lender will be applied firstly to the higher interest bearing principal amount outstanding. A net gain of $2,624 was recorded as finance income relating to the changes in the facility.

(c) The Company entered into an agreement with a new lender for a $40,000 secured loan. The loan matures in 14 years from the advance date of February 2, 2017, and is repayable in monthly payments of principal and interest over the term. The loan accrues interest at a rate of 6% per annum plus an account maintenance fee of 0.5% per annum. Security for the loan includes a charge against the cogeneration assets of the Dissolving Pulp segment and guarantees from Fortress Specialty Cellulose and Fortress Paper.

(d) During the six months ended June 30 2017, the Company repaid in full the unsecured convertible debenture in the aggregate principal amount of $25,000. The Company was granted the right by the lender to repay the principal amount owing prior to maturity, with all interest accrued to the date of repayment.

7. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value
Unlimited number of preferred shares with par value $1,000

(Canadian dollars, amounts in thousands except share and per share data, unaudited)

Issued and fully paid — common shares

	Number of Shares	Share Capital $
Balance, December 31, 2015	14,730,727	182,204
Balance, December 31, 2015	14,730,727	182,204
Restricted share units vested	40,851	289
Deferred share units vested	44,814	281
Repurchase of common shares	(655,300)	(8,085)
Exercise of warrants	125,000	756
Balance, December 31, 2016	14,286,092	175,445
Balance, December 31, 2016	14,286,092	175,445
Restricted share units vested	55,013	144
Exercise of stock options	1,915	371
Repurchase of common shares	(54,668)	(670)
Balance, June 30, 2017	14,288,352	175,290

Treasury shares

During the year ended December 31, 2016, the Company contributed $2,357 to an automatic share purchase plan pursuant to its normal course issuer bid. During the six months ended June 30, 2017, the funds in this plan were returned to the Company.

Repurchase of common shares

During the three and six months ended June 30, 2017, the Company repurchased and cancelled 54,668 commons shares for $360 through a normal course issuer bid.

(Canadian dollars, amounts in thousands except share and per share data, unaudited)

8. STOCK-BASED COMPENSATION

Stock options

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of options	Weighted Average Exercise Price $
Balance, December 31, 2016	590,725	10.51
Balance, December 31, 2016	590,725	10.51
Granted	285,658	6.65
Expired	(103,575)	8.00
Exercised	(117,350)	8.00
Balance, June 30, 2017	655,458	9.67

As at June 30, 2017, 369,800 stock options were exercisable (December 31, 2016: 590,725).

During the three and six months ended June 30, 2017, the Company granted 201,508 and 285,658 stock options to an executive of the Company pursuant to an employment agreement. The options were granted in two tranches of 42,075 and two tranches of 100,754 which vest within two years of the grant dates based upon the 180 day volume weighted average common share price of the Company being greater than $10 and $15, respectively. Any remaining unvested options after two years from the grant dates will be cancelled. The Company recorded $81 and $86 in stock based compensation expense for the three and six months ended June 30, 2017, respectively in relation to the award.

During the three and six months ended June 30, 2017, a total of 117,350 stock options were exercised through a cashless exercise. The cashless exercise resulted in a payment of $15 cash and the issuance of 1,915 common shares to the holder of the options.

Deferred share unit awards

A deferred share unit ("DSU") is a right granted to a non-employee director to receive one common share of the Company, from treasury, on a deferred basis. The value of the DSUs, when redeemed, is equal to the market value of the shares on the redemption date, including the value of dividends paid on the Company's common shares, if any, as if they had been reinvested in additional DSUs on each payment date. The DSUs may only be redeemed upon a director's retirement from the Company. The Company recognizes the expense at the time of grant.

DSU transactions and the number of DSUs outstanding are summarized as follows:

(Canadian dollars, amounts in thousands except share and per share data, unaudited)

	Number of DSUs	Expense recognized $
Balance, December 31, 2015	274,732	6,452
Granted	13,877	72
Vested	(44,814)	–
Balance, December 31, 2016	243,795	6,524
Balance, December 31, 2016	243,795	6,524
Granted	18,383	139
Balance, June 30, 2017	262,178	6,663

Restricted share unit awards

A restricted share unit ("RSU") is a right granted to a key employee to receive one common share of the Company, from treasury, on a time vested basis. The fair value of restricted share awards is determined based upon the number of shares granted and the quoted price of the Company's stock on the date of grant. Restricted shares generally vest over three to five years.

RSU transactions and the number of RSUs outstanding are summarized as follows:

	Number of RSUs
Balance, December 31, 2015	223,295
Granted	8,571
Vested	(40,851)
Cancelled	(30,254)
Balance, December 31, 2016	160,761
Balance, December 31, 2016	160,761
Granted	8,711
Vested	(55,013)
Cancelled	(26,114)
Balance, June 30, 2017	88,345

(Canadian dollars, amounts in thousands except share and per share data, unaudited)

9. COMMITMENTS

As at June 30, 2017, the Company has issued performance bonds in the amounts of $24,960 (EUR 16,850). Restricted cash of $4,685 has been set aside for these bonds.

As at June 30, 2017, the Company has issued guaranteed letters of credit of $840 relating to the continued delivery of power at the cogeneration facility and a performance security guarantee of up to $2,000 for derivative financial instruments (Note 4).

The Company has guaranteed a $7,000 secured note receivable transferred to a lender as early repayment of principal amounts due in 2017.

As at June 30, 2017, the Company has committed to purchase steam from a supplier up to the end of 2025 for $1,219 (CHF 900).

As at June 30, 2017, the Company has committed to purchase $9,207 in property, plant and equipment.

The minimum operating lease commitments for equipment, storage, and offices over the next five years and thereafter are as follows:

	$
2017	3,162
2018	4,394
2019	4,334
2020	4,099
2021	3,724
Thereafter	53,995
	73,708

(Canadian dollars, amounts in thousands except share and per share data, unaudited)

10. SEGMENTED INFORMATION

The segmentation of the Company's manufacturing operations is based on a number of factors, including production and economic characteristics. The Landqart mill produced security papers and products and Fortress Specialty Cellulose produces dissolving pulp products.

	Three months ended June 30, 2017			
	Security $	Pulp $	Corporate $	Fortress Paper Consolidated $
Sales	43,791	42,808	–	86,599
Operating income (loss)	54	(2,882)	(2,285)	(5,113)
Amortization[1]	(2,227)	(6,359)	–	(8,586)
Stock-based compensation[1]	–	–	(276)	(276)
Capital expenditures	3,800	1,431	–	5,231
Total assets	126,572	345,373	17,663	489,608
Sales by geographic area				
Europe				4.5
Asia				89.4
Canada				6.1
Other				–
Total				100.0

[1]Stock-based compensation and amortization are included in operating income (loss).

	Three months ended June 30, 2016			
	Security $	Pulp $	Corporate $	Fortress Paper Consolidated $
Sales	44,213	43,780	–	87,993
Operating income (loss)	2,314	(2,073)	(1,640)	(1,399)
Amortization[1]	(2,356)	(5,316)	–	(7,672)
Stock-based compensation[1]	–	–	(34)	(34)
Capital expenditures	512	1,894	–	2,406
Total assets	146,513	348,358	16,910	511,781
Sales by geographic area				
Europe				15.3
Asia				78.4
Canada				5.4
Other				0.9
Total				100.0

[1]Stock-based compensation and amortization are included in operating income (loss).

(Canadian dollars, amounts in thousands except share and per share data, unaudited)

	Six months ended June 30, 2017			
	Security $	Pulp $	Corporate $	Fortress Paper Consolidated $
Sales	87,561	91,498	–	179,059
Operating loss	(598)	(977)	(4,696)	(6,271)
Amortization[1]	(4,347)	(12,761)	–	(17,108)
Stock-based compensation[1]	–	–	(401)	(401)
Capital expenditures	5,412	2,597	–	8,009
Total assets	126,572	345,373	17,663	489,608

Sales by geographic area	
Europe	6.0
Asia	88.2
Canada	5.8
Other	–
Total	100.0

[1]Stock-based compensation and amortization are included in operating loss.

	Six months ended June 30, 2016			
	Security $	Pulp $	Corporate $	Fortress Paper Consolidated $
Sales	85,424	82,581	–	168,005
Operating income (loss)	1,582	(6,114)	(3,735)	(8,267)
Amortization[1]	(4,932)	(10,622)	–	(15,554)
Stock-based compensation[1]	–	–	(75)	(75)
Capital expenditures	1,361	3,662	–	5,023
Total assets	146,513	348,358	16,910	511,781

Sales by geographic area	
Europe	9.0
Asia	82.9
Canada	5.8
Other	2.3
Total	100.0

[1]Stock-based compensation and amortization are included in operating income (loss).

11. SUBSEQUENT EVENT

Subsequent to June 30, 2017, a legal claim previously provided for was dismissed by the courts and a reversal of $2,731 was recorded.