

For Immediate Release



**FORTRESS PAPER ANNOUNCES ACQUISITION
OF LEBEL-SUR-QUEVILLON PULP MILL ASSETS**

VANCOUVER, British Columbia, January 31, 2012 – Fortress Paper Ltd. ("Fortress Paper" or the "Corporation") (**TSX:FTP**), is pleased to announce that it has, through its wholly owned subsidiary, Fortress Global Cellulose Ltd. ("Fortress Global"), signed an asset purchase agreement (the "APA") with 9109-3294 Quebec Inc., a wholly owned subsidiary of the Quebec Ministère du Développement économique, de l'Innovation et de l'Exportation ("9109"), and Domtar Inc., whereby Fortress Global will acquire the buildings, equipment and other ancillary property relating to the non-operating pulp mill located at Lebel-sur-Quevillon, Quebec (the "LSQ Mill") and 9109 will acquire the lands relating thereto. In connection with the acquisition, Fortress Global intends to enter into arrangements with 9109 whereby Fortress Global will have full and unconditional ownership and access rights to the LSQ Mill assets. Fortress Global intends to convert the LSQ Mill into a low cost dissolving pulp operation. Concurrently, Fortress Global will acquire a 30 megawatt non-operating cogeneration facility at the LSQ Mill which it intends to restart which will result in material net energy savings (income). An additional cogeneration project will provide up to 50 megawatts of total power for which the company is seeking a long-term power supply agreement with Hydro Quebec.

Upon completion of the acquisition of the LSQ Mill, the Corporation intends to invest estimated capital expenditures of approximately \$222 million to convert the non-operating northern bleached softwood kraft pulp mill into a low cost, high quality dissolving pulp mill and to increase the capacity of the cogeneration facility. In connection with the proposed capital expenditures, Fortress Paper has arranged certain financing initiatives to fund the conversion and cogeneration projects.

The LSQ Mill is planned to have an annual production capacity of approximately 236,000 air dried metric tonnes (ADMT) and is expected to be completed in late 2013. The LSQ Mill would significantly increase Fortress Paper's annual dissolving pulp production capacity to over 437,000 ADMT, initially targeting viscose fibre (rayon) products.

Chad Wasilenkoff, Chief Executive Officer of Fortress Paper, states, "The acquisition of the LSQ Mill and its planned conversion into a dissolving pulp operation represents an important milestone towards Fortress Paper becoming a leader in the global dissolving pulp industry. This project demonstrates the insight and perseverance of the Quebec Government and Fortress Paper in developing a unique opportunity which has been latent for several years, but when completed will revitalize the community of Lebel-sur-Quevillon and the surrounding areas of Northern Quebec. We are very pleased to be able to partner with Investissement Quebec on this project to build from our recent successful conversion of the Fortress Specialty Cellulose Mill, and also look forward to working closely with the city of Lebel-sur-Quevillon."

Pursuant to the terms of the APA, at closing Fortress Global will pay a nominal cash amount and agree to contribute pursuant to a trust agreement in escalating tranches over the next 5 years an aggregate of \$7.5 million and an additional contingent amount of \$2.5 million only in the event of a permanent closing of the LSQ Mill in respect of environmental remediation costs. The closing of the APA is subject to various conditions, including (i) Fortress Global entering into a collective agreement with the unionized employees of the LSQ Mill, (ii) Fortress Global entering into a loan agreement with Investissement Quebec securing financing to implement its proposed business plan at the LSQ Mill, (iii) the parties to the

APA entering into a trust agreement, (iv) Fortress Global and 9109 entering into satisfactory lease and other ownership and access agreements, (v) Fortress Global finalizing satisfactory fibre supply arrangements with the Quebec Government, (vi) an order in council by the Quebec Government authorizing the transaction, and (vii) Domtar completing its agreement with the City of Lebel-sur-Quevillon in respect of certain property taxes. The closing of the APA is expected to occur within 75 days.

The cost structure of the LSQ Mill will be materially impacted by the ability of Fortress Global to upgrade the cogeneration facility and to service the facility through a long-term power supply agreement with Hydro Quebec on satisfactory terms. In addition, Fortress Global is negotiating with the City of Lebel-sur-Quevillon for a mutually beneficial, long term municipal tax arrangement in respect of the capital expenditure program at the LSQ Mill which will assist in revitalizing the Northern Quebec region. Training and relocation grants discussions are ongoing with various government agencies, although no formal commitments have been provided at this time.

Investissement Quebec ("IQ") has committed, by way of an agreement in principle, to grant Fortress Global a loan in the amount of up to \$132.4 million comprised of two tranches to support Fortress Paper's proposed business plan in respect of the LSQ Mill. The loan will be secured by the capital assets of Fortress Global and will accrue interest at a fixed rate of 5.0% per annum for the first five years, followed by a rate not to exceed 5.5% per annum for the remaining five years, and will include an equity compensation in the form of 715,000 share purchase warrants of Fortress Paper on terms to be determined. The first tranche of \$102.4 million will have a term of 10 years and the second tranche of \$30 million will have a term of three years. The loan is subject to completion of definitive documentation. As no definitive agreement has been entered into with respect to the IQ financing, there can be no assurance at this time that such financing will be completed on terms acceptable to Fortress Global or at all.

Fortress Paper has also signed a subscription agreement with a Quebec financial institution providing for the subscription of an unsecured convertible debenture of Fortress Paper (the "Debenture") in the aggregate principal amount of \$25 million maturing in five years with an interest rate of 7% per annum. The Quebec financial institution will have the option to convert its Debenture, in whole or in part, into common shares of Fortress Paper at any time after closing of the APA at a conversion price equal to the volume weighted average price of the common shares of the Corporation on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the closing of the APA plus a premium equal to 50% of such trading price. The Debenture will be redeemable, in whole or in part, at the option of Fortress Paper, from the second anniversary date of its issuance at par plus all accrued and unpaid interest, provided that the volume weighted average trading price of the common shares of Fortress Paper on the TSX is not less than 125% of the conversion price. The Debenture financing is subject to various conditions, including the concurrent completion of the IQ financing, the closing of the APA and receipt of the requisite TSX approval.

In connection with the LSQ Mill acquisition, Fortress Paper will be hosting a teleconference to discuss the acquisition rationale in the form of a Presentation which is available by sending a request to info@fortresspaper.com and will also be posted at www.fortresspaper.com in due course. The teleconference will be limited in scope to the subject matter contained in this press release and the Presentation.

Teleconference Date: Tuesday, January 31, 2012

Time: 1:30pm (PST) / 4:30pm (EST)

Dial In 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: _____ 98030 _____ #
 Confirmation Number: _____ 764917 _____

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2. Enter the 6 digit Conference Reference Number, **764917** followed by the # key.
3. Also enter the participant code **98030** # when prompted.

About Fortress Paper

Fortress Paper operates internationally in three distinct business segments: dissolving pulp, specialty papers and security paper products. The Company operates its dissolving pulp business at the Fortress Specialty Cellulose Mill located in Canada which is also in the process of expanding into the renewable energy generation sector with the construction of a cogeneration facility. The Company operates its specialty papers business at the Dresden Mill located in Germany, where it is a leading international producer of specialty non-woven wallpaper base products. 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, and at its Fortress Optical Facility located in Canada, where it manufactures optically variable thin film material.

For more information, please contact:

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This news release contains certain forward-looking statements that reflect the current views and/or expectations of Fortress Paper with respect to its performance, business and future events, including statements relating to the Corporation's completion of the APA and related agreements and the outcome of its financing initiatives; its intention to convert the LSQ Mill into a dissolving pulp operation; its plans to refurbish and restart a cogeneration plant at the LSQ Mill; the financial benefits of, production capacity expected from and timing for the completion of the conversion and cogeneration projects; its ability to complete the necessary financing to make planned capital expenditures; its ability to enter into satisfactory fibre supply arrangements, a collective agreement and a power supply agreement in respect of the cogeneration project; and the expected effects of the acquisition of the LSQ Mill on the business of the Corporation. Forward-looking statements are based on the then-current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Corporation operates, including assumptions relating to the ability of the Corporation and the other parties thereto to satisfy the conditions required in order to complete the APA and all related arrangements; the Corporation's ability to complete the necessary financing to successfully implement its business plan in respect of the LSQ Mill on terms satisfactory to the Corporation; the success, profitability and other expected benefits of the dissolving pulp operation and cogeneration plant; the expected effects of the acquisition of the LSQ Mill on the business of the Corporation; the state of the market in the dissolving pulp and green bio-energy sectors; and the Corporation's ability to obtain municipal and other governmental support and enter into adequate fibre supply arrangements, a collective agreement and power supply arrangements to achieve the expected benefits

resulting from the acquisition and to make the project economically viable. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, that the conditions to closing the APA will not be satisfied and that the Corporation will be unable to complete the APA; the Corporation will not obtain the necessary financing to complete its business plan in respect of the LSQ Mill; the Corporation will be unable to implement its business plan in respect of the LSQ Mill as planned or at all; that the dissolving pulp operation and cogeneration plant will not be successful or profitable and will not meet anticipated production capacities; that the Corporation will be unable to enter into a satisfactory power supply arrangement, collective agreement or fibre supply arrangements on or before closing of the acquisition or at all; and those risks relating to changes in the market, potential downturns in economic conditions, fluctuations in the price and supply of raw materials, foreign exchange fluctuations, labour relations, regulatory requirements, reputation, competition, dependence on major customers, and other risk factors listed from time to time in the Corporation's public filings. These risks, as well as others, could cause actual results and events to vary significantly. Accordingly, readers should not place undue reliance on forward-looking statements and information, which are qualified in their entirety by this cautionary statement. Fortress Paper does not undertake any obligations to release publicly any revisions to or updating any voluntary forward-looking statements, except as required by applicable securities law.