

For Immediate Release



FORTRESS PAPER PROVIDES CORPORATE UPDATE

VANCOUVER, British Columbia, October 29, 2014 – Fortress Paper Ltd. ("Fortress Paper" or the "Company") (TSX:FTP) provides a general corporate update relating to its operations.

IQ Loan Deferral

The Company has reached an agreement in principle with Investissement Québec ("IQ"), pursuant to which the Company has been, and will continue to be, granted a temporary deferral on its principal and interest payments under its C\$102.4 million project financing loan with IQ (the "IQ Loan") relating to its Fortress Specialty Cellulose Mill located in Thurso, Québec (the "FSC Mill"), subject to the discretion of IQ to revoke such deferral. The purpose of this deferral is to provide the Company and the FSC Mill with increased financial flexibility until a definitive and longer term resolution in respect of the IQ Loan can be reached. At this time, an agreement in principle has been reached with IQ on a longer term solution, but this agreement remains subject to Provincial Government approval.

Chadwick Wasilenkoff commented that: "We continue to work with Investissement Québec to manage our short to medium term cash-flow and hope to ultimately reach a more meaningful and long term agreement that will further enhance the Company's financial flexibility."

Fortress Specialty Cellulose Mill

Commencing in the second quarter of 2014, the FSC Mill sought to reduce its cash flow requirements and implemented cost reduction initiatives. Key elements of its action plan included, among other things, reducing inventory levels, capital spending and production costs. Results to date are as follows:

- By the end of October 2014, management expects the FSC Mill will have decreased its pulp inventory levels from 40,000 air dried metric tonnes ("ADMT") to 15,000 ADMT, and management will continue to evaluate if inventory levels can be reduced further.
- The FSC Mill has implemented previously planned strategic capital projects, realizing a 16% savings compared to the initially approved costs of C\$8.8 million relating primarily to a dissolving pulp gas collector system to reduce atmospheric emissions, a new drum washer, an increased power generation project and a new dry sodium sulphate project to reduce chemical costs.
- In the third quarter of 2014, the FSC Mill's production costs, including the positive impact of the cogeneration facility and amortization of some of the shutdown costs, averaged C\$757 per ADMT of dissolving pulp produced, which is in line with the FSC

Mill's objectives. Management expects the mill's run-rate production costs will continue to improve in the fourth quarter of 2014. As the cogeneration facility is optimized and other initiatives are implemented, the mill is expected to ultimately achieve run-rate production costs of C\$725 per ADMT of dissolving pulp produced by the end of 2015.

Management believes the FSC Mill's significantly improved production costs provide further evidence that, contrary to the conclusions reached by China's Ministry of Commerce ("MOFCOM") in its antidumping investigation, the FSC Mill was in the startup phase during the period investigated by MOFCOM. While in the startup phase, it is expected that a mill would have significantly higher costs of production than while in commercial production.

The viscose staple fibre and rayon filament markets, which are key drivers in dissolving pulp demand, reached a bottom in the second quarter of 2014, and since such time capacity utilization has improved. The third quarter of 2014 saw dissolving pulp reach its lowest prices since May 2009, but over the past few weeks these prices have stabilized. Management believes dissolving pulp prices will improve in 2015 as a large proportion of dissolving pulp producers are currently operating at a loss. Management has completed a thorough review of the dissolving pulp supply and demand environment and has forecast capacity utilization in the dissolving pulp industry will reach 94% in 2015 and continue to increase in subsequent years as global growth in demand for dissolving pulp outpaces growth in supply. Management believes once utilization rates exceed 90%, pricing power will return to dissolving pulp producers.

In response to the recent antidumping duties from China, the FSC Mill has recently reestablished a normalized sales cycle with new and existing dissolving pulp customers, and its new sales and distribution strategy launched earlier this year is allowing the FSC Mill to target 100% production of dissolving pulp in 2015.

While performing a routine gearbox inspection during the FSC Mill's annual maintenance shutdown in October, the FSC Mill discovered a crack on a gear in the turbine used in the cogeneration facility. The FSC Mill has informed the part's manufacturer of the damage and made a claim under its warranty. At this time, management expects an interim repair solution will allow the cogeneration facility to resume operation in approximately two weeks, and it is the intention to thereafter replace the gear in the timeliest manner possible. The Company will provide an update in its forthcoming management discussion and analysis for the third quarter, or sooner if it is determined that the delay will be materially greater than anticipated. While the damage will prevent the cogeneration facility from operating until repaired, the issue is not expected to impact dissolving pulp production at the mill.

The FSC Mill has restarted following its annual shutdown and, as part of its scheduled ramp-up, will initially produce paper pulp for several days. Once the ramp-up is complete, the mill will convert back to producing dissolving pulp exclusively, subject to market conditions.

Canada Files WTO Complaint against Chinese Dissolving Pulp Duties

On October 15, 2014, the Government of Canada requested WTO consultations with China concerning its imposition of antidumping duties on Canadian exports of dissolving pulp, which

Canada believes violate WTO rules. The Government of Canada has stated it is seeking consultations as a first step under WTO rules to reach a settlement. China has 30 days to engage in talks with Canada, unless the parties agree to another timeline. If dialogue is unsuccessful, Canada could seek the establishment of a WTO panel and subsequent dispute settlement procedures.

Chadwick Wasilenkoff, Chief Executive Officer of Fortress Paper, commented that: "We are pleased the Government of Canada has engaged China directly through the WTO and are hopeful that dialogue between Canada and China will soon resolve this conflict. To assist in the process, our Company will continue to offer support to the Government of Canada."

Fortress Global Cellulose Mill

The Company has entered into an agreement with IQ which entitles the Company to receive a non-refundable aggregate payment in the amount of C\$800,000 for the purposes of reimbursing certain eligible care and maintenance expenditures incurred by the Fortress Global Cellulose Mill located in Lebel-sur-Quévillon, Québec (the "FGC Mill"), between March and October 2014.

The Company continues to explore strategic alternatives for the FGC Mill, including divestitures, joint ventures and partnership opportunities. Depending on the outcome of the WTO consultations with China, the Company's economic assessment of the FGC Mill may change materially. The Company will closely monitor the WTO developments and will re-evaluate the FGC Mill investment opportunity in the context of other available options with the objective to maximize value for all shareholders.

Landqart Mill

During the third quarter of 2014, Landqart received four new orders and is actively promoting and receiving interest in its high performance banknote substrate, Durasafe ®. Total production at the Landqart Mill continues to exceed forecasted volumes and the mill is projected to achieve greater than 90% utilization for the 2014 fiscal year. Management anticipates that the strong order book in 2014-15 will result in improved financial performance in 2015.

Improved performance at the Landqart Mill in the third quarter was largely driven by an increased production efficiency rate and a reduced waste rate on paper machine no. 1. Although the waste rate on paper machine no. 2 was better than targeted, it continues to work towards its production efficiency target rate. In order to further enhance performance, Landqart has implemented three production improvement projects at the Landqart Mill with a target completion date before the end of the fourth quarter in 2014.

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 and the production of NBHK

pulp. 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.

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This press release contains certain forward-looking statements that reflect the current views and/or expectations of Fortress Paper with respect to: expectations concerning the positive effects of the IQ Loan deferral and whether a definitive long-term agreement can be reached in respect thereof; expected run-rate production costs at the FSC Mill; market conditions for dissolving pulp; the production mix at the FSC Mill; the timing for repairs to the cogeneration facility; the expected impact of the damage to the cogeneration facility on dissolving pulp production; expectations regarding Canada's WTO complaint against China's antidumping duties; expected utilization rates at the Landqart Mill; expected financial performance of the Landqart Mill; and the timing and completion dates for projects. The reader is cautioned that forward-looking statements are not guarantees of future performance and involve 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 statements. 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 Company operates. Assumptions underlying the Company's expectations regarding forward-looking statements contained in this news release include, among others, the IQ Loan deferral will increase the Company's financial flexibility, the Company will continue to realize cost savings at the FSC Mill from, among other things, optimization of the cogeneration facility, cost reduction initiatives and increased efficiency, market conditions for dissolving pulp will improve in 2015 as the growth in global demand for dissolving pulp outpaces the growth in supply, the Company will be able to successfully repair the cogeneration facility in the interim without replacing the damaged equipment, the Landqart Mill will continue operating on a consistent and regular basis in order to produce and deliver on its orders, the general stability of the economic, political and regulatory environments within the countries where the Company conducts operations and that our equipment will operate at expected levels. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, that: the IQ Loan deferral will be revoked; market conditions for dissolving pulp will not improve or worsen; the Company will not realize anticipated cost savings from its cost reduction initiatives; equipment failures at the FSC Mill or Landqart Mill; and other risk factors detailed in our Annual Information Form dated March 31, 2014, available on SEDAR at www.sedar.com and other filings with the Canadian securities regulatory authorities. 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, which are qualified in their entirety by this cautionary statement. Fortress Paper does not undertake any obligations to release publicly any revisions for updating any voluntary forward looking statements, except as required by applicable securities law.