

## For Immediate Release



### **FORTRESS PAPER PROVIDES FORTRESS SPECIALTY CELLULOSE MILL OPERATIONAL UPDATE**

VANCOUVER, British Columbia, October 11, 2013 – Fortress Paper Ltd. ("Fortress Paper" or the "Company") (TSX:FTP) announces that it has completed its initial strategic assessment and testing of alternatives for the Fortress Specialty Cellulose Mill ("FSC Mill") and has determined that the best possible strategy is to operate the FSC Mill as a "swing mill". With minor modifications and no capital expenditure, the FSC Mill will be capable of swinging production from dissolving pulp to northern bleached hardwood kraft (NBHK) pulp. As a result of the flexibility derived from being a "swing mill", the FSC Mill will be able to lower its cost structure accordingly when redirecting production from dissolving pulp to NBHK pulp, which, relative to dissolving pulp, is simpler to produce and has a higher yield derived from the same fibre source. In addition, the simplified production process and higher yield of NBHK pulp will result in an increase in production capacity at the FSC Mill by approximately 25% based on producing NBHK pulp compared to dissolving pulp.

In keeping with the Company's strategy of producing low-cost, high-quality pulp products, the FSC Mill will produce, among other products, specialty maple NBHK pulp, a product ideally suited for premium packaging, tissues & toweling, and other technical and specialty papers, due to its excellent smoothness, opacity, bulk and cleanliness and dissolving pulp. The production of other specialty hardwood pulp will be evaluated over the next few months.

The FSC Mill has extensive experience in both NBHK pulp and dissolving pulp production. Leveraging this expertise, the Company anticipates the FSC Mill will require no down-time to modify operations into a swing mill.

The primary difference between dissolving pulp production and NBHK pulp production is the additional chemical processes that dissolving pulp must undergo. This results in lower yields and higher costs. Given current market conditions for dissolving pulp, the Company has determined that the FSC Mill can improve margins by redirecting its production capacity to lower-cost NBHK pulp production, which does not require this additional process. The ability of the FSC Mill to pivot its production in this manner to improve margins is reflective of the strategic benefit to the Company of diversifying the FSC Mill's production capabilities. The "swing mill" capability serves as a hedge against price shocks and demand changes in the market for dissolving pulp. In addition, this improved production flexibility will allow the Company to mitigate any adverse impacts resulting from the threatened imposition of a dumping tariff by China's Ministry of Commerce on the import of Canadian dissolving pulp into China.

Yvon Pelletier, President of Fortress Specialty Cellulose Inc., commented: "The redesign of the FSC Mill will create an exciting opportunity for Fortress Paper to operate as a 'swing producer' of pulp products. We will now be capable of quickly shifting production at the FSC Mill between different products to maximize margins in response to changing market conditions. This opportunity is unique to us due to the configuration of the FSC Mill and our extensive experience in producing both dissolving pulp and NBHK pulp and eventually other specialty hardwood grade pulps. We believe we can leverage this expertise to improve our bottom line."

#### **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 is in the process of expanding production into NBHK pulp. The Company is also seeking to expand its dissolving pulp capacity with the recent acquisition of Fortress Global Cellulose Mill located at Lebel-sur-Quévillon, Québec, which the Company is evaluating to convert into a dissolving pulp mill and re-start the 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, and at its high security production and research facility located in Canada, where it manufactures optically variable thin film material.

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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 its performance, business and future events, including statements regarding the successful modification of the FSC Mill into a swing mill; the Company's ability to lower its cost structure, improve margins and increase production capacity at the FSC Mill by diverting production to NBHK pulp; and that there will be no down-time and/or capital expenditure to modify operations at the FSC Mill. 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. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Assumptions underlying the Company's expectations regarding forward-looking statements contained in this news release include, among others: that there will be no unexpected delays or down-time to modify the FSC Mill into a swing mill; and NBHK pulp is simpler and cheaper to produce than dissolving pulp. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, risks that the modification of the FSC Mill will require down-time and/or unforeseen capital expenditures; that diverting production to NBHK pulp will not result in a reduction in costs, an increase in margins and/or increase in production capacity at the FSC Mill; that market conditions for NBHK pulp will not be favourable; and other risk factors listed from time to time in the Company'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, 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.