For Immediate Release

TSX: FTP

FORTRESS PAPER ANNOUNCES FOURTH QUARTER 2016 RESULTS

Vancouver, British Columbia, – Fortress Paper Ltd. (“Fortress Paper” or the “Company”) reported 2016 fourth quarter operating EBITDA of $6.4 million, an increase of $3.1 million versus the prior year period and a decrease of $1.2 million over the previous quarter. The Dissolving Pulp Segment generated operating EBITDA of $6.7 million and the Security Paper Products Segment generated operating EBITDA of $1.6 million. Corporate costs included in operating EBITDA were $1.9 million.

“Management is pleased to report an improved quarter of operating EBITDA compared to the prior year. As noted in our third quarter release, the fourth quarter is typically a seasonally slow period due to the annual maintenance shut and the winter conditions experienced at the FSC mill. We are very encouraged that the fourth quarter at the FSC mill represented the best fourth quarter for the mill since its restart after its conversion to a dissolving pulp mill. We produced 5% more tonnes versus the prior year period and quality improved significantly,” stated CEO Yvon Pelletier. “The Company’s first quarter is expected to result in a larger year over year improvement partly because management believes that the FSC mill has made significant progress in resolving issues related to digester productivity encountered during previous winters. Management anticipates Company operating EBITDA to materially improve in 2017 compared to 2016.”

Fourth Quarter 2016 Segment Results

The Dissolving Pulp Segment generated operating EBITDA of $6.7 million for the quarter ended December 31, 2016, representing an increase of $5.2 million compared to the prior year period and a decrease of $5.2 million compared to the third quarter. The fourth quarter of 2016 was favourably impacted by improvements in sales and production volume, pricing and pulp quality, which resulted in a lower discount to list price relative to the prior year period, but were partially offset by lower revenues for the cogeneration facility. Operating EBITDA results for the fourth quarter compared to the third quarter were negatively impacted by higher costs associated with the planned maintenance shutdown, seasonality and investment in quality through longer production times and fibre management. Pulp quality improved significantly year over year in both the fourth quarter and full year. The discount to list price realized at the FSC mill was reduced by over 50% on average or approximately $25 per tonne for the year ended December 31, 2016 relative to the prior year in part due to quality improvement. During the quarter ended December 31, 2016, the Fortress Specialty Cellulose (“FSC”) mill sold 30,962 ADMT of dissolving pulp compared to 40,992 ADMT in the previous quarter and 29,424 ADMT in the prior year comparative period.
The Security Paper Products Segment generated operating EBITDA of $1.6 million for the fourth quarter of 2016, an increase of $3.4 million when compared to the third quarter of 2016, and a $2.3 million decrease when compared to results in the fourth quarter of 2015. The Landqart mill sold 2,474 tonnes of security paper in the fourth quarter of 2016, compared to 2,431 and 2,523 tonnes of security paper sales in the third quarter of 2016 and fourth quarter of 2015, respectively. Security paper production includes banknotes and passports, which result in varying degrees of costs and margins depending on the complexity of the security features included.

Management’s Outlook

**Dissolving Pulp Segment**

The FSC mill experienced its best fourth quarter operating EBITDA result since the mill conversion completed in 2011. In the fourth quarter of 2016, the FSC mill’s production costs, including amortization of some of the shutdown costs and the positive impact of the cogeneration facility, averaged $926 per ADMT (excluding $77 per ADMT impact of the shutdown) of dissolving pulp produced, which was above trend. Production costs are expected to be lower in the first quarter of 2017, relative to the prior year comparative period, due, in part, to significant progress in resolving issues related to digester production encountered during previous winters. The outlook for the remainder of 2017 is also positive.

Management continues to focus on cost reductions, production improvement and power generation to improve margins at the FSC mill. The Lean Six Sigma program has continued to improve mill efficiencies and stabilize operations. In October 2016, the FSC mill appointed a new President of the Dissolving Pulp Segment with significant expertise in Lean Six Sigma which management expects will contribute to further improvements at the mill.

Assuming production cost improvement and based on current dissolving pulp pricing and foreign exchange rates, management anticipates that, FSC will generate materially higher operating EBITDA in 2017 versus 2016.

Management expects improving viscose staple fibre (“VSF”) and dissolving pulp pricing through the first quarter of 2017 and into the stronger seasonal summer months in part due to increasing demand in yarn and textile markets. Supporting this outlook was a stable dissolving pulp price of US$935 per tonne during the typically weak holiday and Chinese New Year (“CNY”) period as well a subsequent rise after CNY to US$955 as of March 16, 2017 which represents a 15% increase compared to the same time last year. Dissolving pulp and VSF prices have increased by US$128 per tonne and US$747 per tonne, respectively, year over year.

**Security Paper Products Segment**

The Landqart mill continues to build on a strong order book for 2017 and is expanding the 2018 order book, comprised of a mix of new and repeat orders. Management is pleased to announce a new Durasafe® customer. This order is anticipated to begin shipping in 2017. Durasafe® also continues to be tested by multiple customers and trials are anticipated to
result in at least one incremental order in the next 12 months. Management also expects that the installation of a previously announced finishing machine will increase capacity in 2017 relative to 2016. Management anticipates operating EBITDA to materially improve in 2017 compared to 2016.

**Corporate and cash**

Corporate expenses in the fourth quarter were down $0.6 million from the previous quarter to $1.9 million. Most of this decrease was due to lower transition expenses which are not expected to recur. Quarterly 2017 corporate expenses are anticipated to be closer to the fourth quarter levels than the third quarter in 2016.

Cash and restricted cash ended the year at $37.1 million down from $95.3 million in the previous quarter of which $36.2 million of this decrease is attributed to the repayment of the Company’s 2016 debentures. In addition, cash on hand as at December 31, 2016 was impacted lower by the timing of working capital items. In the first week of January the receipt of $10.5 million from trade accounts receivable at the Landqart mill improved the cash balance. Also, subsequent to the end of the fourth quarter, the Company closed on a long-term loan secured by the cogeneration assets and thereafter repaid early the outstanding convertible debentures due in 2017. The net effect of the financing and repayment of debt transactions that occurred subsequent to the fourth quarter added approximately $10.2 million of cash and $3.6 million of restricted cash to the balance sheet. During 2016 and subsequent to year end Fortress used cash of $72.5 million to reduce debt and added $40.0 million of debt repayable over 14 years and $4.0 million of debt repayable over 7 years.

Management is pleased with the increased liquidity profile created in 2016 and believes that cash on hand plus anticipated cash generated from operations are sufficient to meet all obligations and future business initiatives.

For a summary of significant developments please refer to the Management’s Discussion and Analysis for the three and twelve month periods ended December 31, 2016 (available on SEDAR at [www.sedar.com](http://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 audited consolidated financial statements as at December 31, 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

<table>
<thead>
<tr>
<th>(thousands of dollars, except shipments, unaudited)</th>
<th>Q4 2016</th>
<th>Q3 2016</th>
<th>Q4 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>80,863</td>
<td>82,148</td>
<td>74,576</td>
</tr>
<tr>
<td>Operating EBITDA(^{(1)})</td>
<td>6,352</td>
<td>7,628</td>
<td>3,335</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>(7,274)</td>
<td>20,301</td>
<td>(3,680)</td>
</tr>
<tr>
<td>Adjusted net loss</td>
<td>(6,980)</td>
<td>(3,847)</td>
<td>(4,239)</td>
</tr>
<tr>
<td>Paper shipments (tonnes)</td>
<td>2,474</td>
<td>2,431</td>
<td>2,523</td>
</tr>
<tr>
<td>Pulp shipments (ADMT)</td>
<td>30,962</td>
<td>40,992</td>
<td>29,424</td>
</tr>
</tbody>
</table>

\(^{(1)}\) See Net (Loss) Income to Operating EBITDA Reconciliation.

A conference call to discuss the financial results for the fourth quarter 2016 will be held on March 21, 2017 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: 1212986#

A replay of the conference call will be available until midnight, April 20, 2017. 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 1212986# and the participant pass code to access the replay is 15086#.

A presentation to complement our fourth 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) Income to Operating EBITDA Reconciliation:

<table>
<thead>
<tr>
<th>(thousands of dollars, unaudited)</th>
<th>Q4 2016</th>
<th>Q3 2016</th>
<th>Q4 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (loss) income</td>
<td>(7,274)</td>
<td>20,301</td>
<td>(3,680)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(44)</td>
<td>-</td>
<td>(1,310)</td>
</tr>
<tr>
<td>Foreign exchange loss (gain)</td>
<td>294</td>
<td>474</td>
<td>(559)</td>
</tr>
<tr>
<td>Net finance expense</td>
<td>4,706</td>
<td>3,918</td>
<td>5,528</td>
</tr>
<tr>
<td>Amortization</td>
<td>8,518</td>
<td>7,522</td>
<td>7,785</td>
</tr>
<tr>
<td>Loss (gain) on financial instruments</td>
<td>78</td>
<td>(32)</td>
<td>(437)</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>74</td>
<td>67</td>
<td>76</td>
</tr>
<tr>
<td>Gain on disposal of assets</td>
<td>-</td>
<td>(24,622)</td>
<td>-</td>
</tr>
<tr>
<td>Employee benefit past service cost adjustment</td>
<td>-</td>
<td>-</td>
<td>(4,068)</td>
</tr>
<tr>
<td>Operating EBITDA</td>
<td>6,352</td>
<td>7,628</td>
<td>3,335</td>
</tr>
</tbody>
</table>

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)

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, viscose staple fibre, security papers and the Company’s other products; and the benefits that may accrue to the Company as the result of certain dispositions and cost reductions, equipment upgrades 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 viscose staple fibre and 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; 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.