FORTRESS PAPER

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

Please visit www.sedar.com for Fortress Paper Ltd. company filings

FTP LISTED TSX

FORTRESS PAPER LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Fortress Paper Ltd. ("we", "our", "us", "Fortress" or the "Company") is dated and has been prepared based on information available as at November 14, 2016. The MD&A should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto for the three and nine month periods ended September 30, 2016 (available on SEDAR at www.sedar.com). This MD&A provides a review of the significant developments that have impacted the Company's performance during the quarter ended September 30, 2016 relative to the previous quarter and prior year comparative quarter. The financial information contained herein has been prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

This MD&A 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 industries and markets in which it operates. The reader is cautioned that statements comprising forward-looking information 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 information. Accordingly, readers should not place undue reliance on forward-looking information. Examples of such forward-looking information that may be contained in this document include statements regarding: growth and future prospects of our business; market conditions for dissolving pulp, viscose staple fibre; security papers and our other products; expectations surrounding and resulting from China's antidumping duties, Canada's World Trade Organization complaint against China's antidumping duties and the Company's response to the antidumping duties; benefits that may accrue to the Company as a result of certain acquisitions, dispositions, capital expenditure programs, equipment upgrades and maintenance shutdowns; expected operational performance figures, including costs, utilization rates and efficiencies; expected returns on certain business segments; availability of funds for debt allocation; our perceptions of the industry and markets in which we operate and anticipated trends in such markets and in the countries in which we do business; the securement of new purchase orders for our products; and the anticipated benefits, cost, timing and completion dates for projects.

Assumptions underlying the Company's expectations regarding forward-looking information contained in this MD&A 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 ("FSC") mill; that current depressed dissolving pulp prices are indicative of unusual market conditions and are not sustainable in the medium to long term; that demand for viscose staple fibre will continue to grow which will result in an increased demand for dissolving pulp; that the Landqart mill will continue operating on a consistent and regular basis in order to produce and deliver on its banknote orders; that the Landqart mill will be successful in securing new orders; the general stability of the economic, political and regulatory environments within the countries where the Company conducts operations; that the Company will be able to enter into enforceable supply agreements for dissolving pulp on favourable terms and diversify its customer base; the ability of the Company to obtain financing (if necessary) on acceptable terms; that interest and foreign exchange rates will not vary materially from current levels; and that our equipment will operate at expected levels.

Persons reading this MD&A are cautioned that statements comprising forward-looking information are only predictions, and that the Company's actual future results or performance are subject to certain risks and uncertainties including, without limitation: those relating to potential disruptions to production and delivery, including as a result of equipment failures, labour issues, the complex integration of processes and equipment and other factors; fluctuations in the market price for products sold; trade restrictions or import duties imposed by foreign governments; that the Company will not be able to meet its equipment repair targets; that the Company's continuing efforts to reverse the dissolving pulp antidumping duty will not be successful; labour relations; failure to meet regulatory requirements; changes in the market; potential downturns in economic conditions; fluctuations in the price and supply of required materials; foreign exchange fluctuations; availability of financing (as necessary); dependence on major customers; and other risk factors detailed in our filings with the 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.

Throughout this discussion, reference is also made 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. Reference is also made to "adjusted net loss", calculated as net loss less specific items affecting comparability with prior periods and "adjusted net loss per share", calculated as adjusted net loss divided by the weighted average number of shares outstanding in the period. Operating EBITDA, adjusted net loss and adjusted net loss per share are not generally accepted earnings measures and should not be considered as an alternative to net income (loss) or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, the Company's operating EBITDA, adjusted net loss and adjusted net loss per share may not be directly comparable with similarly titled measures used by other companies. Reconciliations of operating EBITDA and adjusted net loss to net income (loss) reported in accordance with IFRS and, on a segmented basis, operating loss are included in this MD&A.

All references in this MD&A to "dollars" or "$" are to Canadian dollars, "€" are to the euro currency unit, "CHF" are to Swiss francs and "US$" are to United States dollars.

Market and industry data contained in this MD&A is based upon information, surveys or studies conducted by independent third parties and independent industry or general publications and the Company's knowledge of, and experience in, the markets in which it operates. The Company has no reason to believe that such information is false or misleading in any material respect, however market and industry data is subject to variation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. This information has not been independently verified by the Company, any of its respective directors, officers or representatives or any other person involved in the preparation of the MD&A and no representation is given as to the accuracy of any of the data referred to in this MD&A obtained from third party sources.

Where we disclose production costs in this MD&A, such costs are calculated based on a variety of factors and inputs which may result in such costs not being comparable to similar types of costs disclosed by other issuers.

Description of Business

The Company was incorporated on May 30, 2006 under the laws of the Province of British Columbia. During the quarter ended September 30, 2016, the Company operated internationally in two distinct business segments: the Dissolving Pulp Segment and the Security Paper Products Segment.

The Company operates its dissolving pulp business through the FSC mill located in Thurso, Québec, Canada, that also operates in the renewable energy generation sector through its cogeneration facility. The Company operates its security paper products business through the Landqart mill located in Switzerland, where it produces banknote, passport, visa and other brand protection and security papers. The segmentation of the Company's manufacturing operations is based on a number of factors, including production, production processes, and economic characteristics. Consistent with the Company's overall strategy, we continue to explore various shareholder enhancing opportunities, including investments in industries external to the Company's current business segments, as well as joint venture, partnership and divestiture transactions.

Overall Performance

Operating EBITDA was $7.6 million for the three months ended September 30, 2016, an increase of $1.3 million and $2.1 million over the previous quarter and prior year comparative period, respectively. For the three months ended June 30, 2016, operating EBITDA was $6.3 million and for the three months ended September 30, 2015, operating EBITDA was $5.5 million. The Dissolving Pulp Segment generated operating EBITDA of $11.9 million and the Security Paper Products Segment incurred operating EBITDA loss of $1.8 million. Corporate costs included in operating EBITDA were $2.5 million in the third quarter of 2016 compared to $1.6 million in the second quarter of 2016.

Dissolving Pulp Segment operating EBITDA was $11.9 million for the third quarter of 2016 representing an increase of $8.7 million compared to the second quarter of 2016. The third quarter of 2016 was favourably impacted by an improved cost structure, improved pricing and an increase in cogeneration revenues. Dissolving Pulp Segment operating EBITDA for the third quarter increased by $6.5 million when compared to the third quarter of 2015. This improvement was a result of higher dissolving pulp prices and an improved cost structure.

Security Paper Products Segment operating EBITDA loss was $1.8 million for the quarter ended September 30, 2016, a $6.5 million decrease when compared to the second quarter of 2016, and a $4.0 million decrease when compared to results in the third quarter of 2015. There were several unusual expenses at Landqart in the third quarter as well as an investment in future sales growth that are not expected to reoccur. Results in the third quarter of 2016 were also impacted unfavorably by product mix. In addition, as a result of the sale and leaseback transaction, rent of $0.9 million was incurred in the quarter. See *"Significant Developments – Sale and Leaseback Transaction at Landqart Mill".*

Overall results have improved over the prior quarter and prior year comparative period with the best consolidated operating EBITDA since the restart of the FSC mill after its conversion to a dissolving pulp mill. The Company's fourth quarter results will be impacted by the planned annual maintenance shutdown and subsequent ramp up at the FSC mill. Incorporating the impact of the planned shutdown, management expects fourth quarter results at the FSC mill to be lower relative to the prior quarter. Although the third quarter results at Landqart were below management's expectations, management believes the results are not representative of the future profitability of the order book. The Landqart mill incurred certain unanticipated expenses in the third quarter, as well as expenditures for investment in future sales growth that are not expected to reoccur. The Landqart mill is expected to contribute positively in the fourth quarter.

Management's Outlook

Dissolving Pulp Segment

The FSC mill experienced its best quarterly results since the mill conversion completed in 2011, a result of an improved cost structure, continued stable electricity generation and improved pricing. In the third 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 $787 per ADMT of dissolving pulp produced, representing a significant improvement from the previous quarter. Production costs are expected to be higher in the fourth quarter of 2016 due to the annual maintenance shutdown, which is scheduled for five days, and some seasonal impact going into the winter months.

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 improved mill efficiencies and stabilized operations. In October 2016, the mill appointed an experienced President of the Dissolving Pulp segment (See *"Significant Developments – Appointment of President of the Dissolving Pulp Segment")* with significant expertise in Lean Six Sigma which we expect will contribute to further improvements at the mill.

Viscose staple fibre ("VSF") demand and pricing has improved since the first quarter of 2016, supporting demand for dissolving pulp, which has led to increased dissolving pulp prices since the spring of 2016. VSF price is supported by continued demand and improved cotton pricing over the past six months. World cotton production is projected to be below demand for a second year in a row which should lead to lower cotton inventories and firm cotton prices. VSF demand is forecasted to continue to increase in the near future, which is expected to lead improved demand for dissolving pulp and better market dynamics relative to the past few years.

VSF and rayon filament markets, which are key drivers in dissolving pulp demand, have experienced improved supply and demand balance and improved pricing since bottoming in 2015. Rayon filament has maintained consistent pricing in 2016, which is 7% above its 2015 lows. VSF prices in November 2016 are higher by approximately 7% year over year and approximately 28% from the 2016 low in January.

The latest U.S. Department of Agriculture ("USDA") cotton projections for 2016 and 2017 indicate world consumption should exceed production for the second consecutive season. Output in 2016 and 2017 is expected to remain the second lowest since 2003 and world cotton ending stocks to decline 10% from the previous season to 87.3 million bales. Lower cotton production forecasts are partly a result of a reduction in plantation area combined with reduced yield. Despite the fact that China initiated sales of state reserve cotton stocks in April 2016, reserve cotton prices have risen over 30% since April, following a two year fall in cotton prices. Stocks in China are projected to decline by 10 million bales in 2016 and 2017; this follows a 7 million bale reduction in 2015 and 2016. The supply of higher quality imported cotton remains limited and prices for spot cotton are expected to remain firm, USDA expects lower world stocks to push Cotton A (representative of the level of offering prices on the international raw cotton market) outlook index price as much as 10% above 2015 and 2016 levels. The decline in forecasted cotton production and the limited availability of higher quality cotton stocks continue to reinforce the shift to manmade materials, which has resulted in increased demand and price increases for textile feedstocks including VSF.

Dissolving pulp supply experienced a slight contraction in 2015 as Chinese mills ran at less than 50% capacity due to cost competitiveness and environmental pressures. US mills were similarly disadvantaged by rising currency related costs resulting in some production switching to paper grade pulp. Dissolving pulp supply expansion is expected over the next two years mainly from conversion of paper pulp operation to dissolving pulp as paper grade pulp prices deteriorate. Dissolving pulp demand growth, due to VSF expansion and reduced cotton linter pulp availability, is projected to absorb the supply expansion.

Management expects VSF and dissolving pulp pricing to remain above Q4 2015 levels through the fourth quarter of 2016 in part due to increasing demand in yarn and textile markets. Dissolving pulp and VSF prices have increased by US$145 per tonne and US$504 per tonne, respectively, from lows in early 2016. Increased cotton pricing continues to put upward pressure on all fibre pricing.

Management believes the long-term growth prospects for the world textile and fibre markets should continue to improve with increasing population and a growing middle class in certain markets. Worldwide use of fibre was up approximately 3% in 2015 and is projected to continue to increase for the next several years. Demand for manmade fiber has increased while demand for cotton has continued to decline. VSF demand is anticipated to grow 5% to 6% per year as reported in The Fiber Year 2016.

Security Paper Products Segment

The Landqart mill continues to build on a strong order book for the remainder of 2016 and 2017, comprised of a mix of new and repeat orders. Results at the Landqart mill for the quarter ended September 30, 2016 were not in line with management expectations, nor representative of the future profitability of the order book. While unusual for the Landqart mill, technical challenges led to unfavourable mill inefficiencies for the third quarter. Additionally, a breakdown of an asset used for chemical treatment heavily influenced the manufacturing line. This has since been remediated.

Management has taken strong corrective actions and initiatives to improve results at the Landqart mill with a further expansion of the Company's current Lean Six Sigma program.

A new piece of equipment for the finishing line has been ordered to eliminate the main bottleneck at the mill in order to increase finished product capacity by up to 15%, depending on product mix, by the third quarter of 2017. Capital expenditure for the project is estimated at CHF 4.0 million of which the majority is financed on favourable terms.

Production of Durasafe® for the substrate of the ninth series of the Swiss franc for the Swiss National Bank ("SNB") began in 2014 and will continue for all series expected through to 2019. In April 2016, the SNB issued the new 50 franc note printed on Durasafe®, the first of six notes in the SNB ninth series. In March 2016, the National Bank of Kazakhstan 20,000 Tenge banknote produced with Durasafe® banknote substrate was the recipient of the

Regional Banknote of the Year award at the High Security Printing Europe conference.

During the third quarter of 2016, the Company completed the sale and leaseback transaction for the sale of its land and buildings relating to its security paper business in the Security Paper Products Segment for the aggregate purchase price of CHF 44.5 million. See *"Significant Developments – Sale and Leaseback Transaction at Landqart Mill"*.

Significant Developments

Sale and Leaseback Transaction at Landqart Mill

On July 12, 2016, the Company announced that its wholly-owned subsidiary Landqart AG ("Landqart") completed the sale of its lands and buildings related to its security paper business located in Landquart, Switzerland, for the aggregate purchase price of CHF 44.5 million (approximately CDN $59 million), subject to customary conveyancing adjustments. The agreement provides for the leaseback to Landqart of such lands and buildings pursuant to a 20 year lease, which is renewable for an additional two 10 year periods on the same terms and conditions with Landqart having certain repurchase rights.

Sale of Fortress Global Cellulose Mill Assets

On July 27, 2016, the Company completed, through its wholly owned subsidiary, Fortress Global Cellulose Ltd. the sale of the buildings, equipment and other ancillary property relating to the non-operating pulp mill and sawmill, as well as the energy generation, connection and transmission plant and related equipment, located in Lebel-sur-Quévillon, Québec for an aggregate purchase price of $15.4 million. The purchase price comprised was of: (i) a $7.0 million secured note; (ii) the assumption by the purchaser of up to $7.5 million of the liabilities under an environmental trust agreement; and (iii) the assumption by the purchaser of certain other liabilities totaling approximately $0.9 million.

Concurrent with the sale, the Company assigned and transferred the $7.0 million secured note to a lender of the Company as early repayment of principal amounts due in 2017 in respect of its outstanding loan at the FSC mill. In addition, as consideration for early repayment of these principal amounts and a guarantee of the note provided by the Company, the lender has agreed to defer an aggregate of $6.3 million of quarterly principal payments otherwise payable September 30, 2017, December 31, 2017 and March 31, 2018, without penalty or interest accruing on such amounts for one year. The remaining principal amount will be amortized in equal quarterly installments commencing June 30, 2018 over the remaining term of the loan.

Completion of Purchases under Normal Course Issuer Bid – Convertible Debentures

On August 19, 2016, the Company announced that pursuant to its normal course issuer bid announced January 4, 2016 (the "Debenture NCIB"), it had purchased for cancellation an aggregate $4.0 million principal amount of its 6.5% convertible unsecured subordinated debentures due on December 31, 2016 (the "6.5% Debentures"), which represents the maximum amount permitted to be purchased pursuant to the Debenture NCIB, at an average cost of $97.1 per $100 6.5% Debenture. The Company also purchased for cancellation an aggregate $6.9 million principal amount of its 7.0% convertible unsecured subordinated debentures due on December 31, 2019 (the "7.0% Debentures"), which represents the maximum amount permitted to be purchased pursuant to the Debenture NCIB, at an average cost of $76.0 per $100 7.0% Debenture.

The Company relied on the block purchase exemption for certain of its purchases under the NCIB. Following completion of such purchases and cancellation, $36.2 million principal amount of 6.5% Debentures and $62.1 million principal amount of 7.0% Debentures remain outstanding.

Announcement of Normal Course Issuer Bid – Common Shares

On August 31, 2016, the Company announced that the Toronto Stock Exchange (the "Exchange") had accepted its notice of intention to make a normal course issuer bid (the "Share NCIB") for its common shares through facilities of the Exchange and alternative Canadian trading platforms. Beginning September 6, 2016, the Company could commence making purchases from time to time, up to a to a maximum of 1,065,289 of its outstanding Common Shares, which represents 10% of the "public float" of the Common Shares within the meaning of the policies of the Exchange. The Share NCIB will terminate on September 5, 2017 or earlier if the Company has completed its purchases of the securities subject to the Share NCIB. Purchases may be suspended by the Company at any time and the Company reserves the right to terminate the Share NCIB earlier if it determines it is appropriate to do so.

On September 20, 2016, the Company announced that in connection with the Share NCIB, it had entered into an automatic securities purchase plan with its designated broker in order to facilitate purchases of its common shares under the Share NCIB. The Plan allows for purchases by the Company of common shares at any time including, without limitation, when the Company would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the Company's broker based upon the parameters prescribed by the Exchange and the terms of the parties' written agreement. Outside of such restricted or black-out periods, the common shares may also be purchased in accordance with management's discretion. The Plan will terminate on September 5, 2017.

During the third quarter of 2016, the Company repurchased and cancelled 655,300 common shares for $3.0 million through the Bid.

Appointment of President of the Dissolving Pulp Segment

On September 1, 2016, the Company announced the appointment of Giovanni Iadeluca as President of the Dissolving Pulp Segment, effective October 3, 2016. As President of the Dissolving Pulp Segment, Mr. Iadeluca's role includes leading and coordinating the strategic direction of the business at the FSC mill. Mr. Iadeluca replaces Yvon Pelletier, who will continue on in his capacity as Chief Executive Officer of Fortress Paper, allowing Mr. Pelletier to focus on new business opportunities for the Company.

Selected Quarterly Information

(thousands of dollars, except per share amounts, foreign exchange rates and shares outstanding, unaudited)	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Sales	82,148	87,993	80,012	74,576
Net income (loss)	20,301	6,893	(13,041)	(3,680)
Basic net income (loss) per share	1.38	0.47	($0.88)	($0.25)
Diluted net income (loss) per share	1.34	0.45	($0.88)	($0.25)
Weighted average shares outstanding – Basic (thousands)	14,748	14,812	14,803	14,727
Weighted average shares outstanding –Diluted (thousands)	15,149	15,205	14,803	14,727
Average Swiss franc/Canadian dollar exchange rate(1)	1.3376	1.3281	1.3819	1.3474
Average US$/Canadian dollar exchange rate (1)	1.3050	1.2886	1.3732	1.3354

(1) Source – Bank of Canada (average noon rate for the period)

(thousands of dollars, except per share amounts, foreign exchange rates and shares outstanding, unaudited)	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Sales	85,169	74,028	73,851	74,449
Net loss	(5,178)	(7,497)	(17,959)	(13,244)
Net loss per share (Basic and Diluted)	($0.35)	($0.51)	($1.22)	($0.90)
Weighted average shares outstanding - Basic and Diluted (thousands)	14,709	14,705	14,684	14,640
Average Swiss franc/Canadian dollar exchange rate(1)	1.3563	1.3060	1.3046	1.1781
Average US$/Canadian dollar exchange rate (1)	1.3089	1.2297	1.2412	1.1356

(1) Source – Bank of Canada (average noon rate for the period)

During the fourth quarter of 2014, the FSC mill produced dissolving pulp up until the planned annual maintenance shutdown in October. Following the shutdown, the FSC mill produced NBHK pulp for a two week period before switching back to the production of dissolving pulp for the remainder of the quarter and continued production of dissolving pulp throughout the first half of 2015. Results for the first quarter of 2015 were impacted by the operational challenges initially experienced during the fourth quarter of 2014 relating to the chemical production area and reduced turbine capacity in the cogeneration facility. The FSC mill recorded positive operating EBITDA in 2015, as a result of increased production, improved costs and increased dissolving pulp and electricity sales. Following the annual maintenance shutdown in the fourth quarter of 2015, the FSC mill experienced a challenging restart period. The fixed costs incurred during the shutdown, combined with the impact of the lime kiln repair, had a negative impact on the fourth quarter of 2015 costs in the amount of $2.6 million. The first quarter of 2016 saw improved pricing for dissolving pulp, continued stable electricity generation and favorable foreign exchange rates on sales primarily denominated in US$ offset by a ten day shutdown due to a blockage issue in the mill and limitations in digester capacity. The fixed costs incurred during the shutdown had a negative impact on first quarter costs in the amount of $2.5 million. The second quarter of 2016 results improved due to increased productivity and continued stable electricity generation. The third quarter saw improved productivity and production costs, continued stable electricity generation and improved pricing and .

An increase in volume sold during 2014 contributed to improving metrics, higher sales and better results for the Security Paper Products Segment. The results for the year ended December 31, 2014 reflected an increase in volumes and enhanced operating efficiencies. The year ended December 31, 2015, was characterized by a favourable product mix and increased improvements in efficiency and waste rates, partially offset by the significant appreciation of the Swiss franc against the euro. The first and second quarter of 2016 results were favourably impacted by product mix. The third quarter of 2016 was impacted by product mix and technical challenges that led to mill inefficiencies.

Third Quarter 2016 Earnings Review

Three Months Ended September 30, 2016

Overview

Operating EBITDA was $7.6 million for the three months ended September 30, 2016. For the three months ended June 30, 2016, operating EBITDA was $6.3 million and for the three months ended September 30, 2015, operating EBITDA was $5.5 million. The Dissolving Pulp Segment generated operating EBITDA of $11.9 million and the Security Paper Products Segment generated operating EBITDA loss of $1.8 million. Corporate costs contributed an operating EBITDA loss of $2.5 million in the third quarter of 2016 compared to operating EBITDA loss of $1.6 million in the second quarter of 2016.

Fortress reported an adjusted net loss of $3.8 million, or diluted adjusted net loss per share of $0.26 for the third quarter of 2016 on sales of $82.1 million. In the second quarter of 2016, the Company reported an adjusted net loss of $6.9 million or diluted adjusted net loss per share of $0.47 on sales of $88.0 million, and for the third quarter of 2015, an adjusted net loss of $8.4 million or diluted adjusted net loss per share of $0.57 on sales of $85.2 million.

Manufacturing and distribution costs were $62.2 million or 75.8% of sales for the three months ended September 30, 2016, compared to $70.1 million or 79.7% of sales for the three months ended June 30, 2016. In the third quarter of 2015, manufacturing and distribution costs were $67.7 million or 79.5% of sales. Such costs are representative of tonnage sold and production cost per tonne at each mill.

SG&A expenses were $12.3 million for the third quarter of 2016, compared to $11.6 million for the second quarter of 2016. The prior year comparative period SG&A was $14.3 million. SG&A was higher in the prior year comparative period, primarily as a result of a $2.0 million expense relating to the transition of the Company's former CEO, other transition related costs and legal matters previously disclosed. See *"Operating results by business segment – Security Paper Products Segment".*

During the third quarter of 2016, the Company completed the sale of the buildings, equipment, ancillary property, and energy generation and transmission plant located in Lebel-sur-Quévillon, Québec. See "*Significant Developments – Sale of Fortress Global Cellulose Mill Assets*".

During the third quarter of 2016, the Company completed a purchase agreement for the sale of its land and buildings relating to its security paper business in the Security Paper Products Segment for the aggregate purchase price of CHF 44.5 million. See *"Significant Developments – Sale and Leaseback Transaction at Landqart Mill".* During the third quarter of 2016, the Company recorded a $24.6 million gain in relation to the sale and lease back transaction.

Selected Financial Information and Statistics

(thousands of dollars, except shipments, unaudited)	**Q3 2016**	**Q2 2016**	**Q3 2015**
Sales	82,148	87,993	85,169
Operating EBITDA(1)	7,628	6,307	5,533
Net income (loss)	20,301	6,893	(5,178)
Adjusted net loss(2)	(3,847)	(6,921)	(8,433)
Paper shipments (tonnes)	2,431	2,714	2,456
Pulp shipments (ADMT)	40,992	39,931	45,377

(1) See Net Income (Loss) to Operating EBITDA Reconciliation.

(2) See Net Income (Loss) to Adjusted Net Loss Reconciliation.

Net Income (Loss) to Adjusted Net Loss Reconciliation:

(thousands of dollars, except per share amounts, unaudited)	Q3 2016	Q2 2016	Q3 2015
Net income (loss)	20,301	6,893	(5,178)
Foreign exchange loss (gain)	474	561	(3,255)
Reversal of impairment on property, plant and equipment	-	(14,375)	-
Gain on disposal of assets	(24,622)	-	-
Adjusted net loss	(3,847)	(6,921)	(8,433)
Basic net income (loss) per share	1.38	0.47	(0.35)
Diluted net income (loss) per share	1.34	0.45	(0.35)
Adjusted net loss per share, basic and diluted	(0.26)	(0.47)	(0.57)

Net Income (Loss) to Operating EBITDA Reconciliation:

(thousands of dollars, unaudited)	Q3 2016	Q2 2016	Q3 2015
Net income (loss)	20,301	6,893	(5,178)
Income tax expense	-	5	8
Foreign exchange loss (gain)	474	561	(3,255)
Net finance expense	3,918	5,229	5,163
Gain on disposal of assets	(24,622)	-	-
Amortization	7,522	7,672	7,292
(Gain) loss on financial instruments	(32)	288	(954)
Transition expense	-	-	2,000
Stock based compensation	67	34	96
Non-recurring expenses	-	-	361
Reversal of impairment on property, plant and equipment	-	(14,375)	-
Operating EBITDA	7,628	6,307	5,533

Operating Results by Business Segment

Dissolving Pulp Segment

(thousands of dollars, except for shipments, unaudited)	Q3 2016	Q2 2016	Q3 2015
Sales	48,862	43,780	48,546
Operating income (loss)	6,465	(2,073)	289
Non-recurring expenses	-	-	361
Amortization	5,403	5,316	4,793
Operating EBITDA	11,868	3,243	5,443
Dissolving Pulp Shipments (ADMT)	40,992	39,931	45,377

As at September 30, 2016, the FSC mill held finished goods inventory consisting of 988 ADMT of dissolving pulp compared to 1,487 ADMT as at June 30, 2016. At September 30, 2015, the mill held finished goods inventory consisting 1,621 ADMT of dissolving pulp.

Operating EBITDA of $11.9 million for the Dissolving Pulp Segment for the quarter ended September 30, 2016 represented an increase of $8.7 million when compared to the second quarter of 2016. The results for the quarter ended September 30, 2016 were favourably impacted mainly by improved productivity and production costs, continued stable electricity generation and improved pricing. Operating EBITDA results for the third quarter of

2016 increased by $6.5 million compared to the third quarter of 2015. The results of the third quarter of 2016 compared to the third quarter of 2015 were impacted by higher dissolving pulp prices and improved production costs.

In the third 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 $787 per ADMT of dissolving pulp produced. Average production costs were lower per ADMT compared to the second quarter of 2016 due primarily to improvements in production efficiencies and improved electricity generation.

Revenues of $5.6 million were generated from the cogeneration facility in the quarter ended September 30, 2016 compared to $4.7 million in the quarter ended June 30, 2016. Revenues from the generation of power at the cogeneration facility during the quarter ended September 30, 2015 were $5.9 million. Revenues from the cogeneration facility were lower in the second quarter of 2016 due to minor issues experienced at the cogeneration facility.

Security Paper Products Segment

(thousands of dollars, except for shipments, unaudited)	**Q3 2016**	**Q2 2016**	**Q3 2015**
Sales	33,286	44,213	36,623
Operating (loss) income	(3,921)	2,314	(285)
Amortization	2,119	2,356	2,499
Operating EBITDA (loss)	(1,802)	4,670	2,214
Shipments (tonnes)	2,431	2,714	2,456

Operating EBITDA for the Security Paper Products Segment for the quarter ended September 30, 2016 was $6.5 million lower when compared to the second quarter of 2016 and $4.0 million lower compared to the third quarter of 2015. As a result of the sale and leaseback transaction, rent of $0.9 million was incurred in the quarter. See *"Significant Developments – Sale and Leaseback Transaction at Landqart Mill".* Security paper production includes banknotes, which result in varying degrees of costs and margins depending on the complexity of the security features included.

While unusual for the Landqart mill, unexpected technical challenges led to unfavourable mill efficiencies and productivities for the third quarter. Additionally, a breakdown of an asset used for chemical treatment heavily influenced the manufacturing line. This has since been remediated and is not expected to reoccur.

Nine Months Ended September 30, 2016

Selected Financial Information and Statistics for the Nine Months Ended:

(thousands of dollars, except for shipments, unaudited)	**September 30, 2016**	**September 30, 2015**
Sales	250,153	233,048
Operating EBITDA(1)	14,990	7,049
Net income (loss)	14,153	(30,634)
Adjusted net loss (2)	(22,957)	(31,805)
Paper shipments (tonnes)	7,800	7,917
Pulp shipments (ADMT)	112,685	123,998

(1) See Net Income (Loss) to Operating EBITDA Reconciliation.

(2) See Net Income (Loss) to Adjusted Net Loss Reconciliation.

Net Income (Loss) to Adjusted Net Loss Reconciliation:

(thousands of dollars, except per share amounts, unaudited)	**September 30, 2016**	**September 30, 2015**
Net income (loss)	14,153	(30,634)
Foreign exchange loss (gain)	1,887	(1,693)
Prior period price adjustment	-	522
Gain on sale lease back transaction	(24,622)	-
Reversal of impairment on property, plant and equipment	(14,375)	-
Adjusted net loss	(22,957)	(31,805)
Basic net income (loss) per share	0.96	(2.08)
Diluted net income (loss) per share	0.93	(2.08)
Adjusted net loss per share, basic and diluted	(1.55)	(2.16)

Net Income (Loss) to Operating EBITDA Reconciliation:

(thousands of dollars, unaudited)	**September 30, 2016**	**September 30, 2015**
Net loss	14,153	(30,634)
Income tax	10	65
Foreign exchange loss (gain)	1,887	(1,693)
Net finance expense	14,326	14,867
Amortization	23,076	21,968
Loss (gain) on financial instruments	393	(871)
Transition costs	-	2,000
Prior period price adjustment	-	522
Stock based compensation	142	464
Non-recurring expenses	-	361
reversal of impairment of property, plant and equipment	(14,375)	-
Gain on disposal of assets	(24,622)	-
Operating EBITDA	14,990	7,049

Overview

Operating EBITDA for the Company was $15.0 million for the nine months ended September 30, 2016 on sales of $250.2 million compared to operating EBITDA of $7.0 million in the nine months ended September 30, 2015 on sales of $233.0 million.

During the nine months ended September 30, 2016, the Dissolving Pulp Segment generated an operating EBITDA of approximately $16.4 million compared to $4.3 million operating EBITDA in the prior year comparative period. The Security Paper Products Segment generated operating EBITDA of $4.7 million in the nine months of 2016 compared to operating EBITDA of $8.0 million in the prior year comparative period. Corporate costs contributed to operating EBITDA loss of $6.1 million and $5.3 million in the nine months ended September 30, 2016 and 2015, respectively.

Adjusted net loss for the nine-month period ended September 30, 2016 was $23.0 million or $1.55 per share basic. Adjusted net loss for the prior year comparative period was $31.8 million or $2.16 per share basic.

Manufacturing, product, freight and other distributions costs equaled $198.2 million or 79.2% of sales for the nine months ended September 30, 2016 compared to $192.4 million or 82.6% of sales in the nine months ended September 30, 2015.

SG&A expenses were $37.0 million for the nine months ended September 30, 2016 compared to $36.4 million in the prior year comparative period.

During the first nine months of 2016, the Company completed an asset purchase agreement for the sale of the buildings, equipment, ancillary property, and energy generation and transmission plant located in Lebel-sur-Quévillon, Québec, which closed in July 2016. See "*Significant Developments – Sale of Fortress Global Cellulose Mill Assets*". As a result of the agreement, the Company recorded a $14.4 million reversal of the impairment taken during the fourth quarter of 2013.

During the first nine months of 2016, the Company completed a purchase agreement for the sale of its land and buildings relating to its security paper business in the Security Paper Products Segment for the aggregate purchase price of CHF 44.5 million. See *"Significant Developments – Sale and Leaseback Transaction at Landqart Mill".* During the nine months ended September 30, 2016, the Company recorded a $24.6 million gain in relation to the sale and lease back transaction.

Stock based compensation was $0.1 million for the nine months ended September 30, 2016 compared to $0.5 million in the prior year comparative period.

Foreign exchange gains and losses relate primarily to translation losses or gains on foreign denominated debt.

Operating Results by Business Segment

Dissolving Pulp Segment

	Nine Months Ended	
(thousands of dollars, except for shipments, unaudited)	**September 30, 2016**	**September 30, 2015**
Sales	131,443	125,442
Operating income (loss)	351	(10,753)
Non-recurring expenses	-	361
Amortization	16,025	14,696
Operating EBITDA	16,376	4,304
Dissolving Pulp Shipments (ADMT)	112,685	123,998

Results for the first nine months of 2016 at the FSC mill were impacted by a ten day shutdown instigated by a blockage issue in the mill, digester capacity limitations in order to maintain quality during winter months, offset by improvements in production costs, higher realized prices and favorable foreign exchange rates on sales primarily denominated in US$. During the nine months ended September 30, 2016, the cogeneration facility generated $15.3 million in revenue compared to $14.8 million in the prior year comparative period.

Security Paper Products Segment

(thousands of dollars, except for shipments, unaudited)	Nine Months Ended September 30, 2016	September 30, 2015
Sales	118,710	107,606
Operating (loss) income	(2,339)	174
Prior period price adjustment	-	522
Amortization	7,051	7,272
Operating EBITDA	4,712	7,968
Shipments (tonnes)	7,800	7,917

The results for the nine month period ended September 30, 2016 were lower compared to the prior year comparative period due to the results of the third quarter of 2016. During the first nine months of 2016, the Company completed the sale of its land and buildings relating to its security paper business in the security paper products segment for the aggregate purchase price of CHF 44.5 million. As a result of the sale and leaseback transaction, rent of $0.9 million was incurred in the quarter. See *"Significant Developments – Sale and Leaseback Transaction at Landqart Mill".*

Selected Cash Flow Items

	Q3 2016	Q2 2016	Nine Months Ended September 30, 2016	Q3 2015	Nine Months Ended September 30, 2015
Cash provided by (used by) operating activities					
Cash from operating activities before working capital changes	7,415	6,675	15,612	4,214	5,556
Non-cash working capital change	957	(3,079)	(4,636)	9,800	12,826
	8,372	3,596	10,976	14,014	18,382
Cash used by financing activities	(9,613)	(8,311)	(18,398)	(912)	(6,140)
Cash generated (used) by investing activities					
Additions to property, plant and equipment	(3,930)	(2,702)	(13,528)	(2,358)	(5,287)
Other	56,522	2,799	66,152	5,855	(2,925)
	52,592	97	52,624	3,497	(8,212)
Change in cash position	51,351	(4,618)	45,202	16,599	4,030
Foreign exchange gain (loss) on cash and cash equivalents	384	(657)	(1,113)	1,800	396
Cash and cash equivalents, beginning of period	26,318	31,593	33,964	30,944	44,917
Cash and cash equivalents, end of period	78,053	26,318	78,053	49,343	49,343

Operating Activities

Fortress operates in a cyclical industry and its operating cash flows vary accordingly. Fortress' principal operating cash expenditures are for labour and raw materials. Operating activities provided cash of $11.0 million and $18.4 million in the nine months ended September 30, 2016 and 2015, respectively. The increase in cash from working capital in the prior year comparative period was primarily due to the sale of finished goods from inventory at our FSC mill. Working capital is subject to cyclical operating needs, the timing of collection of receivables and the payment of payables and expenses.

Financing Activities

During the first nine months of 2016 and 2015, financing activities used cash of $18.4 million and $6.1 million, respectively. Included in financing activities for the nine months ended September 30, 2016, was $3.0 million for the repurchase of common shares, $9.2 million for the repurchase of convertible debt and $6.2 million related to the payment of long-term debt interest. Financing activities in the nine months ended September 30, 2015, related mainly to the payment of long-term debt interest.

Investing Activities

Investing activities in the first nine months of 2016 provided cash of $52.6 million. Investing activities relating to the purchase of equipment and other capital expenditures at the mills was $13.5 million. Cash proceeds from the sale and lease back transaction at the Landqart mill provided cash of $58.4 million. The Company received $3.2 million for the sale of marketable securities. Restricted cash, relating to cash security provided primarily for banknote contracts in the Security Paper Products Segment, provided $4.3 million in cash as performance bonds expired.

Investing activities in the first nine months of 2015 used cash of $8.2 million. Investing activities relating to the purchase of equipment and other capital expenditures at the mills was $5.3 million. Restricted cash, relating to cash security provided primarily for banknote contracts in the Security Paper Products Segment used $3.5 million in cash.

Liquidity and Capital Resources

As at September 30, 2016, the Company had a cash and cash equivalents balance of $78.1 million. Business maintenance capital expenditure was approximately $4.0 million in the first nine months of 2016 with a further $4.0 million expected in the fourth quarter. Project and or discretionary capital expenditure for the first nine months of 2016 was approximately $6.0 million.

As at September 30, 2016, the Company had $4.8 million (CHF 3.6 million) in restricted cash for rent and maintenance deposits as a result of the sale and leaseback transaction. See *"Significant Developments – Sale and Leaseback Transaction at Landqart Mill".*

At September 30, 2016, the Company's current portion of long term debt, accounts payable and accrued liabilities totaled $110.4 million, 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 remaining $36.2 million and $62.1 million of convertible debentures due in 2016 and 2019, respectively, in common shares of the Company. At September 30, 2016 and as at the date of this report, the Company repurchased $10.9 million in convertible debentures.

Although there can be no assurances, Fortress believes that current cash, cash generated from operations, proceeds from the sale and leaseback transaction at the Landqart mill, cashflow derived from improved inventory and cash management, cash from the sale of non-core assets, alternative financing arrangements, and other cash generating initiatives, should be sufficient to meet its debt service, capital expenditure and short term working capital requirements. Fortress has also entered, in the normal course, into pulp distribution arrangements for inventory management, logistics, and ancillary services relating to pulp being distributed by the FSC mill, which the Company expects will also improve financial flexibility. Fortress' future operating performance and its ability to finance capital expenditures, service its debt, repay its indebtedness upon maturity and pay other indebtedness will be subject to future economic conditions, the potential renegotiation or refinancing of existing indebtedness, the financial success of Fortress' business, Fortress' ability to successfully maximize margins and diversify product mix in response to changing market conditions, success of cost savings initiatives and other factors, some of which are not within Fortress' control, including but not limited to changes in market prices for its products, raw materials costs, foreign currency exchange rates and the duties imposed by China. No assurances are given as to the likelihood that the outcome of any such factors will be successful or will operate to positively impact the Company's business, operations and/or financial results.

Fortress may determine, in its sole discretion, that market or financial conditions may warrant that it seek additional sources of capital on terms satisfactory to Fortress, including, but not limited to additional debt or equity financing, in order to fund capital expenditures, refinance indebtedness, provide additional working capital, enhance liquidity or for other general corporate purposes.

On December 3, 2014, the Company announced that the FSC mill entered into an amendment agreement in respect of its project financing loan with Investissement Québec ("IQ"). Under the amended agreement, no principal repayments were to be made or interest accrued or paid on the balance of the loan until December 31, 2016. If the mill reaches certain free cash flow targets, payments of up to $14.3 million may be made to IQ beginning in 2021. The maturity date of the loan was extended to December 31, 2026 with equal quarterly payments beginning in 2017.

On July 27, 2016, the sale of the assets of the Fortress Global Cellulose mill was completed. Concurrent with the sale, the Company assigned and transferred a $7.0 million note issued by the purchaser to IQ as early repayment of principal amounts due in 2017 under the IQ loan. In addition, as consideration for such early repayment of principal and a guarantee of the note provided by the Company, IQ has agreed to defer an aggregate of $6.3 million of quarterly principal payments otherwise payable September 30, 2017, December 31, 2017, and March 31, 2018, without penalty or interest accruing on such amounts for one year. The remaining principal amount will be amortized in equal quarterly installments commencing June 30, 2018 over the remaining term of the loan.

The Company is required to make minimum cumulative aggregate capital expenditures of $25.0 million during the fiscal years ending December 31, 2014, 2015 and 2016. As at December 31, 2015, the Company had met the minimum cumulative capital expenditure spend requirement of $25.0 million.

Repayments of principal for debt outstanding as at September 30, 2016 are required as follows**:**

	($ 000's)
2016	37,126
2017	26,247
2018	9,906
2019	74,112
2020	11,368
Thereafter	69,380
	228,139

As at September 30, 2016, the Company had aggregate indebtedness of $231.2 million, net of unamortized borrowing costs, and net working capital of $60.9 million. The convertible debentures in the aggregate principle amount of approximately $36.2 million are due December 31, 2016, and can be repaid with common shares of the Company at the Company's discretion, subject to receiving requisite approvals.

Commitments

As at September 30, 2016, the Company has:

- committed to purchase steam from a supplier up to the end of 2025 for $1.2 million (CHF 0.9 million) per year;
- issued guaranteed letters of credit of $0.8 million relating to the continued delivery of power at our cogeneration facility;
- guaranteed the secured note receivable transferred to a lender as early repayment of principal amounts due in 2017; and
- performance bonds in the amount of $28.8 million (EUR 19.5 million).

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

	($ 000's)
2016	985
2017	4,065
2018	3,949
2019	3,891
2020	3,721
Thereafter	57,676
	74,287

The Company's objectives when managing capital are to safeguard its assets and maintain a globally competitive cost structure while looking for growth opportunities to provide returns to its shareholders. In addition, the Company works with relevant stakeholders to ensure the safety of its operations and employees, and remain in compliance with applicable environmental regulations and enhance the communities in which it operates.

The Company monitors and assesses on an ongoing basis its financial performance in order to ensure that its net debt levels are prudent taking into account the anticipated direction of the business cycle. The Company continuously monitors the public and private debt markets and the public equity markets in order to ensure that its capital structure is appropriately balanced. The Company can be influenced materially by changes in the relative value of the Canadian dollar, Swiss franc, United States dollar and euro.

The Company's capital comprises net debt and shareholders' equity as follows:

(thousands of dollars, unaudited)	**September 30, 2016 $**	**September 30, 2015 $**
Cash and cash equivalents	78,053	49,343
Less total debt	231,185	239,531
Net debt	(153,132)	(190,188)
Shareholders' equity	221,348	213,217

The Company has certain financial covenants stipulating maximum long-term debt to adjusted net worth ratios and minimum working capital ratios. Debt obligations are held by various entities within the Company with individual debt agreements specifying the entities within the Company that are to be included in the covenant calculations.

The Company ensures it remains in compliance with all of its existing debt covenants in order to facilitate future access to capital. Management reviews past results and forecasts to monitor their compliance. The Company was in compliance with all externally imposed capital requirements for the period ended September 30, 2016.

Outstanding Shares

The number of common shares outstanding at September 30, 2016 and the date of this report was 14,157,714. The number of options outstanding at September 30, 2016 and the date of this report was 590,725. At September 30, 2016 and the date of this report there were 164,139 restricted share units outstanding. At September 30, 2016 and the date of this report there were 237,961 and 243,795 deferred share units outstanding, respectively. At September 30, 2016 and the date of this report there were 1,000,000 warrants outstanding.

Related Party Transactions

Related party transactions consist of remuneration of directors and other key management personnel with whom we have entered into employment agreements. Further information is contained in our management information circulars in respect of our annual general meetings of shareholders, which are filed on SEDAR at www.sedar.com.

Contingencies

Provisions for liabilities relating to legal actions, tax reassessments and claims require judgment using management's best estimates regarding projected outcomes and the range of loss, based on such factors as historical experiences, stage of proceedings and recommendations of legal counsel and tax advisors. Actual results may vary from estimates and the differences are recorded when known.

Critical Accounting Estimates

For a review of significant management judgments affecting financial results and critical accounting estimates, see the Management's Discussion and Analysis for the year ended December 31, 2015 available on SEDAR.

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.

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.

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 the first interim period beginning on or after January 1, 2018.

The Company is currently evaluating the impact from the adoption of these standards. There are no other standards or amendments or interpretations to existing standards issued but not yet effective which are expected to have a material impact on our consolidated financial statements.

Risks and Uncertainties

A comprehensive discussion of risk factors is included in the Company's Annual Information Form dated March 30, 2016, available on SEDAR at www.sedar.com. Those as well as risks detailed in the Management's Discussion and Analysis for the year ended December 31, 2015, also available on SEDAR, may impact the business of the Company.

Disclosure Controls and Internal Controls over Financial Reporting

During the quarter ended September 30, 2016, there were no changes in the Company's internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

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

	Note	September 30, 2016 $	December 31, 2015 $
ASSETS			
Current			
Cash and cash equivalents		78,053	33,964
Restricted cash		17,257	21,839
Trade accounts receivable		20,435	19,007
Other accounts receivable		7,236	4,868
Inventories		46,097	50,081
Financial instruments	4	31	3,626
Prepaid expenses		2,202	2,281
		171,311	135,666
Other long-term receivable	5	7,000	3,000
Property, plant and equipment	6	344,844	394,228
Total assets		523,155	532,894
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		47,904	60,525
Current portion of long-term debt	7	62,480	41,069
		110,384	101,594
Long-term debt	7	168,705	200,348
Deferred income taxes		178	180
Provisions and other long-term liabilities	5	10,381	7,340
Employee future benefits		12,159	7,484
Total liabilities		301,807	316,946
Shareholders' equity			
Share capital	8	174,676	182,204
Contributed surplus		24,903	25,318
Retained (deficit) earnings		(11,623)	(26,776)
Accumulated other comprehensive income		33,392	35,202
Total shareholders' equity		221,348	215,948
Total liabilities and shareholders' equity		523,155	532,894
Commitments	10		

(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 September 30, 2016 $	Three Months Ended September 30, 2015 $	Nine Months Ended September 30, 2016 $	Nine Months Ended September 30, 2015 $
Sales		82,148	85,169	250,153	233,048
Costs and expenses					
Manufacturing and distribution costs		(62,263)	(67,735)	(198,165)	(192,442)
Amortization		(7,522)	(7,292)	(23,076)	(21,968)
Selling, general and administration		(12,257)	(14,262)	(36,998)	(36,440)
Stock-based compensation		(67)	(96)	(142)	(464)
Operating income (loss)		39	(4,216)	(8,228)	(18,266)
Other income (expense)					
Finance expense		(5,691)	(5,310)	(16,307)	(15,182)
Finance income	7	1,773	147	1,981	315
Reversal of impairment on property, plant and equipment	5	–	–	14,375	–
Gain on disposal of assets	5	24,622	–	24,622	–
Gain (loss) on financial instruments	4	32	954	(393)	871
Foreign exchange (loss) gain		(474)	3,255	(1,887)	1,693
Net income (loss) from operations before taxes		20,301	(5,170)	14,163	(30,569)
Income tax expense		–	(8)	(10)	(65)
Net income (loss)		20,301	(5,178)	14,153	(30,634)
Net income (loss) per share		1.38	(0.35)	0.96	(2.08)
Diluted net income (loss) per share		1.34	(0.35)	0.93	(2.08)
Weighted average number of shares outstanding					
Basic		14,748,909	14,709,037	14,787,784	14,699,595
Diluted		15,149,697	14,709,037	15,184,682	14,699,595

(See accompanying notes)

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

	Three Months Ended September 30, 2016 $	Three Months Ended September 30, 2015 $	Nine Months Ended September 30, 2016 $	Nine Months Ended September 30, 2015 $
Net income (loss)	20,301	(5,178)	14,153	(30,634)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income (loss)				
Exchange differences on translation of foreign operations	1,791	2,504	(1,810)	15,544
Items that will not be reclassified to net income (loss)				
Actuarial loss recognized on employee future benefits (net of taxes of $nil, $239 and $nil, $257)	(990)	(3,225)	(4,057)	(5,071)
Total other comprehensive income (loss)	801	(721)	(5,867)	10,473
Total comprehensive income (loss)	21,102	(5,899)	8,286	(20,161)

(See accompanying notes)

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

	Note	Nine Months Ended September 30, 2016 $	Nine Months Ended September 30, 2015 $
Share capital	8		
Balance at beginning of period		182,204	181,083
Restricted share units vested		276	1,107
Deferred share units vested		281	–
Common share repurchase		(8,085)	–
Balance at end of period		174,676	182,190
Contributed surplus			
Balance at beginning of period		25,318	25,899
Stock-based compensation		142	464
Restricted share units vested		(276)	(1,107)
Deferred share units vested		(281)	–
Balance at end of period		24,903	25,256
Retained (deficit) earnings			
Balance at beginning of period		(26,776)	7,066
Net loss		14,153	(30,634)
Defined benefit plan actuarial loss, net of tax		(4,057)	(5,071)
Common share repurchase	8	5,057	–
Balance at end of period		(11,623)	(28,639)
Accumulated other comprehensive income			
Balance at beginning of period		35,202	18,866
Cumulative translation adjustment on foreign operations		(1,810)	15,544
Balance at end of period		33,392	34,410
Total equity		221,348	213,217

(See accompanying notes)

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

	Note	Nine Months Ended September 30, 2016 $	Nine Months Ended September 30, 2015 $
Cash flows from (used by) operating activities			
Net income (loss) for the period		14,153	(30,634)
Adjustments:			
Gain on disposal of assets	5	(24,622)	–
Loss (gain) on financial instruments		393	(871)
Amortization		23,076	21,968
Reversal of impairment of property, plant and equipment	5	(14,375)	–
Income tax expense		10	65
Foreign exchange loss (gain)		1,810	(1,163)
Finance expense		14,326	14,867
Employee future benefits less than contributions		699	860
Stock-based compensation		142	464
		15,612	5,556
Change in non-cash working capital items			
Accounts receivable		(1,012)	4,076
Inventories		3,472	8,820
Prepaid expenses		62	(1,007)
Accounts payable and accrued liabilities and other		(7,158)	937
		10,976	18,382
Cash flows from (used by) financing activities			
Repayment of long-term debt		(1,156)	(355)
Repurchase of common shares	8	(3,028)	–
Convertible debt repurchase		(9,201)	–
Additions to long-term debt		1,160	–
Payment of long-term debt interest and financing fees		(6,173)	(5,785)
		(18,398)	(6,140)
Cash flows from (used by) investing activities			
Additions to property, plant and equipment		(13,528)	(5,287)
Sale of marketable securities		3,202	250
Net proceeds from disposal of assets	5	58,390	–
Finance income		260	315
Restricted cash		4,300	(3,490)
		52,624	(8,212)
Increase (decrease) in cash position		45,202	4,030
Foreign exchange (loss) gain on cash and cash equivalents		(1,113)	396
Cash and cash equivalents, beginning of year		33,964	44,917
Cash and cash equivalents, end of period		78,053	49,343

Supplemental cash flow information	11

(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 November 14, 2016.

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, 2015 (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, 2015 consolidated financial statements. For significant estimates and judgments refer to notes 5 and 6 as well as the consolidated financial statements and notes as at and for the year ended December 31, 2015.

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.

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.

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.

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

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 evaluating the impact from the adoption of these standards. 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 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 September 30, 2016 and December 31, 2015, and shows the level within the fair value hierarchy in which they have been classified:

	Fair Value Hierarchy Level	September 30, 2016 $	December 31, 2015 $
Marketable securities – held for trading	Level 1	–	3,626
Derivative financial instruments – held for trading	Level 2	31	–
Total financial instruments		31	3,626

The following table summarizes the gain (loss) on financial instruments for the three and nine months ended September 30, 2016:

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

	Three Months September 30, 2016 $	Three Months September 30, 2015 $	Nine Months September 30, 2016 $	Nine Months September 30, 2015 $
Marketable securities	–	954	(425)	871
Derivative financial instrument				
US dollar collars and variable rate forwards	32	–	32	–
Gain (loss) on financial instruments	32	954	(393)	871

The Company had the following foreign exchange derivatives at September 30, 2016 and December 31, 2015:

	September 30, 2016		December 31, 2015	
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	8,200	1.28/1.39	–	–

5. DISPOSAL OF ASSETS

Landqart Land and Buildings

On July 12, 2016, the Landqart mill, from the security paper products segment of the Company, sold its land and buildings for an aggregate sales price of CHF 44,500 ($59,523). Upon closing of the sale, Landqart entered into a 20 year operating lease agreement with yearly payments of CHF 2,750 ($3,721) for the land and buildings. The lease is renewable for two 10-year periods, at the option of the Company, on the same terms and conditions with the Company having certain repurchase rights.

Based on the book values of the assets disposed of, the related sale proceeds and gain are summarized below.

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

	July 12, 2016 $
Total proceeds	59,523
Less: directly attributable costs	(1,133)
Total net proceeds	58,390
Book value of net assets disposed of	33,768
Gain on disposal	24,622

Fortress Global Cellulose Mill

On July 27, 2016, the Company sold the assets and liabilities of the non-operating pulp mill and cogeneration facility of the Fortress Global Cellulose mill, located in Lebel-sur-Quévillon, a component of the dissolving pulp segment. The purchase price comprised: (i) a $7,000 5% secured note due in 2021; (ii) the assumption by the Purchaser of up to $7,500 of the liabilities under an environmental Trust Agreement (the "Trust"); and (iii) certain other liabilities totaling $856. As a part of the transaction, the Company was released from all obligations under the Trust.

A reversal of impairment loss of $14,375, reflecting the fair value of the assets and the liabilities sold, net of estimated transaction costs, has been recorded during the nine months ended September 30, 2016. The previous carrying amount of the property, plant and equipment was $nil.

Concurrent with the sale, the Company assigned and transferred the $7,000 secured note from the purchaser to a lender of the Company as early repayment of principal amounts due in 2017 (*Note 7b*). The Company has guaranteed the secured note and recorded a $7,000 other long term receivable and a corresponding $7,000 as a provision and other long term payable in relation to the guarantee.

The following table summarizes the transaction:

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

	July 27, 2016 $
Sale consideration:	
Secured note	7,000
Less: directly attributable costs	(937)
Total net proceeds	6,063
Book value of net assets disposed of:	
Property, plant and equipment	14,375
Environmental trust liabilities	(7,456)
Other assumed liabilities	(856)
Net assets disposed of	(6,063)
Gain on disposal	–

6. 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, with the exception of the Fortress Global Cellulose mill, which was valued at fair value less costs to sell (*Note 5*).

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 September 30, 2016, 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, 2015 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 September 30, 2016.

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

7. LONG-TERM DEBT

	Note	September 30, 2016 $	December 31, 2015 $
Credit facilities with lenders			
CHF 3,083 (2015: CHF 3,952), maturing 2020, unsecured		3,920	5,002
CHF 867 (2015: CHF nil), interest at 1.3%, maturing 2024, secured by certain assets of the Landqart mill	7(a)	1,173	–
$99,469, interest at 5.0%, maturing 2026, secured by the assets of the Fortress Specialty Cellulose mill	7(b)	109,421	112,353
Unsecured convertible debentures			
$36,225 principal, interest at 6.5%, maturing December 2016	7(c)	35,852	38,634
$25,000 principal, interest at 7%, maturing June 2017		24,480	24,035
$62,100 principal, interest at 7%, maturing December 2019	7(d)	56,339	61,393
		231,185	241,417
Less: Current portion		(62,480)	(41,069)
Long-term debt		168,705	200,348

	September 30, 2016 $	December 31, 2015 $
Principal value of debt	228,139	246,174
Adjustments for unamortized borrowing costs, amounts allocated to equity for convertible debentures, and expected contingent payments	3,046	(4,757)
Net amount recorded in liabilities	231,185	241,417

At September 30, 2016, the fair value of the long-term debt, measured at its amortized cost of $231,185 was $225,969. 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 working capital ratios, maximum long-term debt to adjusted net worth ratios, and certain non-financial covenants. The Company has been in compliance with all covenants for all periods presented.

At September 30, 2016, the Company's current portion of long term debt, accounts payable and accrued liabilities totaled $110,384, 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 $36,225 and $62,100 of convertible debentures due in 2016 and 2019 respectively, 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, cash from the sale of non-core assets, 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 4,059 (CHF 3,000) for the construction of production equipment at the Landqart mill of which 1,173 (CHF 867) has been drawn as at September 30, 2016. The loan bears interest of 6.75% during the construction phase and once completed, interest will be charged at 1.3% with repayment of the loan over a seven year period.

(b) The Company assigned and transferred a $7,000 secured note receivable to the lender of the Company as early repayment of principal amounts due in 2017*(Note 5).* As consideration for the early repayment of the principal amount and the guarantee of the note provided by the Company, the lender agreed to defer an aggregate of $6,300 of quarterly principal payments otherwise payable September 30, 2017, December 31, 2017, and March 31, 2018, without penalty or interest accruing on such amounts for one year. The remaining principal amount will be amortized in equal quarterly installments commencing June 30, 2018 over the remaining term of the loan.

(c) During the three and nine months ended September 30, 2016, the Company repurchased $1,630 and $4,025 principal value of the convertible debenture under a normal course issuer bid for $1,618 and $3,947, respectively.

(d) During the three and nine months ended September 30, 2016, the Company repurchased $6,900 principal value of the convertible debenture under a normal course issuer bid for $5,254.

8. SHARE CAPITAL

Authorized

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

Issued and fully paid — common shares

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

	Number of Shares	Share Capital $
Balance, December 31, 2014	14,655,245	181,083
Restricted share units vested	75,482	1,121
Balance, December 31, 2015	14,730,727	182,204
Balance, December 31, 2015	14,730,727	182,204
Restricted share units vested	37,473	276
Deferred share units vested	44,814	281
Repurchase of common shares	(655,300)	(8,085)
Balance, September 30, 2016	14,157,714	174,676

During the three and nine months ended September 30, 2016, the Company repurchased and cancelled 655,300 common shares for $3,028 through a normal course issuer bid.

9. STOCK-BASED COMPENSATION

Stock Options

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

	Number of options	Weighted Average Exercise Price $
Balance, December 31, 2015	590,725	10.51
Balance, September 30, 2016	590,725	10.51

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, 2014	204,405	6,284
Granted	70,327	168
Balance, December 31, 2015	274,732	6,452
Balance, December 31, 2015	274,732	6,452
Granted	8,043	32
Vested	(44,814)	–
Balance, September 30, 2016	237,961	6,484

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, 2014	256,831
Granted	152,603
Vested	(75,482)
Cancelled	(110,657)
Balance, December 31, 2015	223,295
Balance, December 31, 2015	223,295
Granted	8,571
Vested	(37,473)
Cancelled	(30,254)
Balance, September 30, 2016	164,139

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

10. COMMITMENTS

As at September 30, 2016, the Company has issued performance bonds in the amounts of $28,800 (EUR 19,538). Restricted cash of $12,433 has been set aside for these bonds.

As at September 30, 2016, the Company has issued guaranteed letters of credit of $840 relating to the continued delivery of power at our cogeneration facility.

The Company has guaranteed the secured note receivable transferred to a lender as early repayment of principal amounts due in 2017 *(Note 7b)*.

As at September 30, 2016, the Company has committed to purchase steam from a supplier up to the end of 2025 for $1,218 (CHF 900).

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

	$
2016	985
2017	4,065
2018	3,949
2019	3,891
2020	3,721
Thereafter	57,676
	74,287

11. SUPPLEMENTAL CASH FLOW INFORMATION

Non Cash Financing and Investing Activities

During the nine months ended September 30, 2016, the Company received a $7,000 secured note from the purchaser of the Fortress Global Cellulose mill *(Note 5)* and assigned the note to a lender as early repayment of long-term debt *(Note 7b).*

12. 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.

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

	Three months ended September 30, 2016			
	Security	Pulp	Corporate	Fortress Paper Consolidated
	$	$	$	$
Sales	33,286	48,862	–	82,148
Operating (loss) income	(3,921)	6,465	(2,505)	39
Amortization[1]	(2,119)	(5,403)	–	(7,522)
Stock-based compensation[1]	–	–	(67)	(67)
Capital expenditures	2,096	2,610	–	4,706
Total assets	126,523	346,582	50,050	523,155

Sales by geographic area	%
Europe	3.6
Asia	89.6
Canada	6.8
Other	–
Total	100.0

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

	Three months ended September 30, 2015			
	Security	Pulp	Corporate	Fortress Paper Consolidated
	$	$	$	$
Sales	36,623	48,546	–	85,169
Operating (loss) income	(285)	289	(4,220)	(4,216)
Amortization[1]	(2,499)	(4,793)	–	(7,292)
Stock-based compensation[1]	–	–	(96)	(96)
Capital expenditures	1,207	1,898	–	3,105
Total assets	153,375	343,978	34,040	531,393

Sales by geographic area	%
Europe	5.1
Asia	85.8
Canada	7.4
Other	1.7
Total	100.0

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

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

	Nine months ended September 30, 2016			
	Security	Pulp	Corporate	Fortress Paper Consolidated
	$	$	$	$
Sales	118,710	131,443	–	250,153
Operating (loss) income	(2,339)	351	(6,240)	(8,228)
Amortization[1]	(7,051)	(16,025)	–	(23,076)
Stock-based compensation[1]	–	–	(142)	(142)
Capital expenditures	3,457	6,272	–	9,729
Total assets	126,523	346,582	50,050	523,155

Sales by geographic area	%
Europe	7.2
Asia	85.1
Canada	6.2
Other	1.5
Total	100.0

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

	Nine months ended September 30, 2015			
	Security	Pulp	Corporate	Fortress Paper Consolidated
	$	$	$	$
Sales	107,606	125,442	–	233,048
Operating income (loss)	174	(10,753)	(7,687)	(18,266)
Amortization[1]	(7,272)	(14,696)	–	(21,968)
Stock-based compensation[1]	–	–	(464)	(464)
Capital expenditures	2,107	3,954	–	6,061
Total assets	153,375	343,978	34,040	531,393

Sales by geographic area	%
Europe	3.6
Asia	87.5
Canada	6.9
Other	2.0
Total	100.0

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