



FORTRESS PAPER ANNOUNCES FIRST QUARTER 2012 RESULTS

Vancouver, British Columbia, May 14, 2012 – Fortress Paper Ltd. (“Fortress Paper” or the “Company”) reported 2012 first quarter EBITDA loss of \$1.8 million. For the fourth quarter of 2011, EBITDA loss was \$1.5 million and for the first quarter of 2011, EBITDA was \$1.0 million.

Fortress reported an adjusted net loss of \$9.1 million, or diluted adjusted loss per share of \$0.64 for the first quarter of 2012 on sales of \$61.4 million. In the fourth quarter of 2011, the Company reported an adjusted net loss of \$6.3 million or diluted adjusted loss per share of \$0.44 on sales of \$49.5 million and for the first quarter of 2011 adjusted net loss of \$5.6 million or diluted loss per share of \$0.42 on sales of \$85.5 million.

Production of dissolving pulp commenced in early December 2011. Commercial production for accounting purposes, with the equipment operating as intended by management, began on March 18, 2012. After such date all sales and cost of sales will be included in the operating results.

The Specialty Papers Segment continued its strong performance in the first quarter. Margins remain strong and the order log is healthy. Contributing to the positive results were improvements in production efficiency, reduced pulp prices, full utilization of the Company's new dry waste plant and strong sales tonnage and realized prices.

The Security Paper Products Segment experienced another difficult quarter. Unfortunately, the continued postponement of several major currencies has resulted in optimization challenges due to low volumes. There has been positive progress on securing orders, however due to lead times the benefit of such orders are not expected to be realized until at least the second half of 2012. Although the Company expects that these postponements will be resolved in due course, there can be no certainty as to when or whether all of the postponed orders will be reinstated.

Excluding corporate costs, the three business segments' combined EBITDA was \$0.7 million in the 3 months ended March 31, 2012. The Specialty Paper Segment contributed \$9.4 million EBITDA while the Dissolving Pulp Segment and the Security Paper Products Segment generated EBITDA losses of \$3.5 million and \$5.2 million, respectively. Corporate costs contributed to EBITDA loss in the amount of \$2.5 million.

Management's Outlook

Dissolving Pulp Segment

Although we have not met the aggressive ramp up schedule originally proposed, management is very pleased with the progress at the Fortress Specialty Cellulose mill and believes that the ramp up schedule is consistent with industry standards. The new cooking plant and all expanded mill process areas have now proved capability and operated for extended periods at intended design levels. Minimal off-specification dissolving pulp product has been produced during the ramp up phase.

Dissolving pulp markets during the first quarter of 2012 were stable with supply and demand generally balanced. Global textile demand was relatively weak during the first quarter of 2012 as a result of tepid European and North American economies. Resulting dissolving pulp spot prices declined to \$1,050 during the first quarter of 2012 which is generally considered to be at cycle low levels. Recently, dissolving pulp spot prices have increased to \$1,150, which can be attributed to tightening supply as dissolving pulp mills in China have been shutting down to minimize losses.

The Company's strategy is to expand its Dissolving Pulp Segment and pursue additional acquisitions and unique opportunities for conversion projects. See "Significant Developments".

Specialty Papers Segment

Following the paper machine upgrade in 2011, production speed reached 450 m/min, as planned, which translated to an increased capacity of approximately 55,000 tonnes per year of non-woven wallpaper base at the Dresden mill. The Specialty Papers Segment has experienced a strong first quarter of 2012 and is expected to continue generating positive returns as it maximizes this increased capacity.

In May 2012, the Company announced that the Dresden mill had operated 24 hours per day (100% utilization) without stoppage for 20 consecutive days compared to an annual average utilization rate of 93% in 2011. As a result, waste in the same period has been reduced to approximately 5% from an annual average waste rate of 9.35% in 2011.

Security Paper Products Segment

In 2011, Landqart received orders from new customers in Asia, Africa and Latin America. It also completed the first production run of its new composite substrate, Durasafe. Interest in Durasafe from central banks is encouraging and Landqart is seeking to secure several new orders over the next 12 months.

An unexpected delay in the production and delivery of a significant order occurred in the fourth quarter of 2011 which has continued into the first and second quarters of 2012. This delay has resulted in a temporary disruption in the production schedule.

The Company is currently assessing strategic options for this segment, including the sales of non-core assets. In connection therewith, the Landqart mill announced in May 2012 that it has entered into an asset purchase agreement with a utility company for the sale of its hydropower assets and associated real estate for a price of CHF18 million. In order to maintain the supply of its operational power requirements, the Landqart mill has concurrently entered into a long term power purchase agreement with the same utility company at competitive rates. The sale of the hydropower assets has concluded subsequent to the quarter end.

Significant Developments

Consistent with the Company's desire to grow its Dissolving Pulp Segment, in January 2012, the Company announced that it, through a wholly-owned subsidiary, entered into an asset purchase agreement (the "APA") to acquire, together with 9109-3294 Quebec Inc. ("9109"), an affiliate of the Quebec Government, the assets relating to a pulp mill situated in Lebel-sur-Quevillon, Quebec owned by Domtar Inc. (the "LSQ Mill"), with the intent to convert the LSQ Mill into a dissolving pulp operation. As part of the acquisition, the Company will acquire a 30-megawatt

non-operating cogeneration facility at the LSQ Mill, which it intends to restart and is expected to result in material energy savings. The company is seeking a long-term power supply agreement with Hydro Quebec which, once completed, is expected to provide the necessary power required to operate the mill, and a power purchase (cogeneration) agreement with Hydro Quebec in respect of the cogeneration facility for the purchase of electrical power.

The closing of the APA is subject to various conditions, including (i) the entering into of a collective agreement with the unionized employees of the LSQ Mill, (ii) the entering into of a loan agreement with Investissement Quebec ("IQ") securing financing to implement the Company's proposed business plan at the LSQ Mill, (iii) the parties to the APA entering into a trust agreement, (iv) the entering into of satisfactory ownership and access agreements with 9109, (v) finalizing satisfactory fibre supply arrangements with the Quebec Government, and (vi) Domtar Inc. completing its agreement with the City of Lebel-sur-Quevillon in respect of certain property taxes.

EBITDA is 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 a key performance indicator. Reference is also made to adjusted net income (loss) (calculated as net income (loss) less specific items affecting comparability with prior periods – for the full calculation, see reconciliation included in the tables titled “Net Loss to Adjusted Net Loss Reconciliation”) and adjusted net income (loss) per share (calculated as adjusted net income (loss) divided by the weighted average number of shares outstanding in the period). EBITDA, adjusted net income (loss) and adjusted net income (loss) per share are not generally accepted earnings measures and should not be considered as an alternative to net income or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, the Company's EBITDA, adjusted net income (loss) and adjusted net income (loss) per share may not be directly comparable with similarly titled measures used by other companies.

Selected Financial Information

The selected financial information presented herein is qualified in its entirety by, and should be read in conjunction with, our unaudited consolidated financial statements as at and for the three month period ended March 31, 2012 and the related notes thereon and our Management's Discussion and Analysis (“MD&A”) filed on SEDAR.

Three Months Ended March 31

(thousands of dollars, except shipments, unaudited)	Q1 2012	Q4 2011	Q1 2011
Sales	61,368	49,524	85,488
EBITDA ⁽¹⁾	(1,813)	(1,491)	951
Operating loss	(6,220)	(5,607)	(3,100)
Net loss	(10,493)	(9,171)	(5,727)
Adjusted net loss ⁽²⁾	(9,087)	(6,273)	(5,605)
Paper shipments (tonnes) ⁽³⁾	15,290	13,035	15,468
Pulp shipments (tonnes)	35,682	8,168	56,361

⁽¹⁾ See Net Loss to EBITDA Reconciliation.

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

(3) Includes shipments of security and specialty paper products by the Landqart and Dresden mills.

Net Loss to EBITDA Reconciliation:

(thousands of dollars, unaudited)	Q1 2012	Q4 2011	Q1 2011
Net loss	(10,493)	(9,171)	(5,727)
Income tax	678	(388)	1,536
Foreign exchange loss (gain)	(1,209)	2,898	122
Net finance expense	4,804	1,057	969
Amortization	3,997	3,793	3,508
Stock based compensation	410	320	543
EBITDA	(1,813)	(1,491)	951

The Company

The Company was incorporated on May 30, 2006 under the laws of the Province of British Columbia. In the 2011 fiscal year, Fortress operated internationally in three distinct business segments: the Pulp Segment, Security and Specialty Papers Segment and Wallpaper Base Segment. The Company operates its dissolving pulp business at the Fortress Specialty Cellulose mill located in Canada which is also in the process of expanding into the renewable energy generation sector with the construction of a cogeneration facility. The Company operates its wallpaper base business at the Dresden mill located in Germany, where it is a leading international producer of specialty non-woven wallpaper base products. The Company operates its security paper products business at the Landqart mill located in Switzerland, where it produces banknote, passport, visa and other brand protection and security papers, and at its Fortress Optical facility located in Canada, where it manufactures optically variable thin film material (“OTM”). The segmentation of the Company’s manufacturing operations is based on a number of factors, including production, production processes, and economic characteristics.

Conference Call

A conference call to discuss the financial results for the first quarter 2012 will be held on May 15, 2012 at 9:30 a.m. (PST). To attend the conference call, please dial one of the following numbers:

North America: 1-855-353-9183

International: 1-403-532-5601

Participant pass code: 15086#

Conference Reference Number: 770462

A replay of the conference call will be available for 7 days. To access the replay, listeners may dial 1-855-201-2300 from North America or 403-255-0697 International. The conference reference number is 770462 and the participant pass code to access the replay is 15086 #.

Forward-Looking Statements

Some information in this news release contains forward-looking statements that reflect the current views and/or expectations of the Company with respect to its performance, business and

future events. The reader is cautioned that forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements including, without limitation, those relating to damage to our reputation, competition, maintaining our market position, marketability and price of our products, technology and protection of our intellectual property, dependence on our major customers, fluctuations in the price and supply of raw materials, fluctuations in foreign exchange and other risk factors detailed in our filings with Canadian securities regulatory authorities. These risks, as well as others, could cause actual results and events to vary significantly. Fortress Paper Ltd. does not undertake any obligation to release publicly any revisions for updating any voluntary forward-looking statements.

For further information please contact:

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