

**For Immediate Release**



**FORTRESS PAPER ANNOUNCES ESCROW CLOSING FOR THE ACQUISITION  
OF LEBEL-SUR-QUÉVILLON PULP MILL ASSETS**

VANCOUVER, British Columbia, June 14, 2012 – Fortress Paper Ltd. ("Fortress Paper" or the "Corporation") (**TSX:FTP**) is pleased to announce that through its wholly owned subsidiary, Fortress Global Cellulose Ltd. ("Fortress Global"), it has successfully closed, in escrow, the asset purchase agreement ("Purchase Agreement") previously entered into with 9109-3294 Quebec Inc. ("9109"), a wholly owned subsidiary of the Québec Ministère du Développement Économique, de l'Innovation et de l'Exportation, and Domtar Inc. Pursuant to the Purchase Agreement, Fortress Global will be acquiring the buildings, equipment and other ancillary property relating to the non-operating pulp mill located at Lebel-sur-Quévillon, Quebec (the "LSQ Mill"), subject to the final condition of a union ratification vote on the collective agreements with the Syndicat Canadien des Communications, de L'Énergie et du Papier. The successful union ratification vote is anticipated to be obtained on or about June 20, 2012, upon which all the closing conditions to the Purchase Agreement will have been satisfied. The effective date of the acquisition will be June 13, 2012, the escrow closing date.

In connection with the acquisition, Fortress Global entered into arrangements with 9109, whereby Fortress Global will be given full and unconditional ownership and access rights to the LSQ Mill assets. Fortress Global intends to convert the LSQ Mill into a low cost dissolving pulp operation. Fortress Global will also acquire a 30 megawatt non-operating cogeneration facility at the LSQ Mill, which it intends to restart and which will result in material net energy savings (income).

Concurrent with the completion of the acquisition, the Corporation has finalized a \$132.4 million project financing loan with Investissement Québec ("IQ") and a \$25 million convertible debenture (the "Debenture") financing with Fonds de solidarité FTQ (the "Fonds"). All documentation relating to these two financing arrangements have been completed and are held in escrow pending satisfaction of the union ratification condition. Over the next two to three years, the Corporation intends to invest estimated capital expenditures of approximately \$222 million to convert the non-operating northern bleached softwood kraft pulp mill into a low cost, high quality dissolving pulp mill. The Corporation intends to fund the balance of the estimated capital expenditures relating to the project through various financing initiatives, operations and other available sources.

Chadwick Wasilenkoff, President and Chief Executive Officer of Fortress Paper, commented "We are very excited about this opportunity to expand our dissolving pulp business. With the addition of the LSQ Mill, we will become a significant dissolving pulp producer representing an expected annual volume of approximately 450,000 ADMT. Through perseverance and dedication, we, together with IQ, the Province of Quebec, Fonds de solidarité FTQ and the City of Lebel-sur-Quévillon, have jointly invested in the future of the LSQ Mill and the people of the Northern Quebec region. We look forward to working with our new stakeholders, creating value for our shareholders, and becoming an integral member of the community."

As part of the acquisition, Fortress Global has agreed to make contributions pursuant to a trust agreement in escalating tranches over the next five years of an aggregate of \$7.5 million and an additional contingent amount of \$2.5 million only in the event of a permanent closing of the LSQ Mill in respect of environmental remediation costs.

In addition, Fortress Global has entered into an incentive and support agreement with the City of Lebel-sur-Quévillon for, among other things, a mutually beneficial, long term municipal tax arrangement in support of the capital expenditure program at the LSQ Mill which will assist in revitalizing the Northern Quebec region. Training and relocation grant discussions are ongoing with various government agencies, although no formal commitments have been received at this time.

Further details:

Fortress Paper has completed a loan agreement whereby IQ has agreed to provide up to \$132.4 million to Fortress Global to support the proposed business plan in respect of the LSQ Mill. The first tranche of \$102.4 million has a term of 10 years and the second tranche of \$30 million has a term of three years. The loan is secured by the capital assets of Fortress Global and accrues interest at a fixed rate of 5.0% per annum for the first five years, followed by a rate not to exceed 5.5% per annum for the remaining five years, and includes equity compensation in the form of 715,000 share purchase warrants of Fortress Paper with an expiry date of December 31, 2017. The warrant exercise price will be based on the volume weighted average price of the common shares of the Corporation over the five trading days on the Toronto Stock Exchange (the "TSX") prior to the date upon which all the closing conditions to the Purchase Agreement have been satisfied. The exercise of the warrants may not occur prior to the earlier of: (i) December 31, 2014; and (ii) the date on which the loan has been fully disbursed. In addition, IQ may only trade in the common shares obtained through the exercise of the warrants if a period of at least six months for the first 357,500 common shares and 12 months for the remaining 357,500 common shares has elapsed from the exercise date of such warrants.

Fortress Paper will issue a \$25 million debenture maturing in five years with an interest rate of 7% per annum to the Fonds. The Debenture will be convertible, in whole or in part, into common shares of Fortress Paper at any time after the closing of the Debenture at a conversion price equal to the volume weighted average price of the common shares of the Corporation on the TSX for the five trading days immediately preceding the date upon which all the closing conditions to the Purchase Agreement have been satisfied plus a premium equal to 50% of such trading price. The Debenture will be redeemable, in whole or in part, at the option of Fortress Paper, from the second anniversary date of its issuance at par plus all accrued and unpaid interest, provided that the volume weighted average trading price of the common shares of Fortress Paper on the TSX is not less than 125% of the conversion price.

The Fonds is a development capital company that channels the savings of Quebec residents into investments in all sectors of the economy to help create and maintain jobs and to further Quebec's economic growth. The Fonds is a partner, either directly or through its network members, in approximately 2,000 companies.

Following the Corporation's press release on January 31, 2012, the Corporation has conducted additional engineering due diligence and technical reviews and has revised its planned capital expenditure program to increase the anticipated annual production capacity at the LSQ Mill from 236,000 ADMT to 250,000 ADMT. It has also determined that the technical limitations at the LSQ Mill did not warrant the previously contemplated cogeneration project to increase the power generated from 30 megawatts to 50 megawatts as the return on investment did not support the expenditures. However, management has identified certain modifications to the cogeneration facility that are expected to increase the power to 34 megawatts.

### **About Fortress Paper**

Fortress Paper operates internationally in three distinct business segments: dissolving pulp, specialty papers and security paper products. The Corporation 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 Corporation operates its specialty papers business at the Dresden Mill located in Germany, where it is a leading international producer of specialty non-woven wallpaper base products. The Corporation 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.

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This news release contains certain forward-looking statements that reflect the current views and/or expectations of Fortress Paper with respect to its performance, business and future events, including statements relating to the Corporation's completion of the Purchase Agreement and related agreements and the outcome of its financing initiatives; its intention to convert the LSQ Mill into a dissolving pulp operation; its plans to refurbish and restart a cogeneration plant at the LSQ Mill; the financial benefits of, production capacity expected from and timing for the completion of the conversion and cogeneration projects; its ability to complete the necessary financing to make planned capital expenditures; its ability to enter into satisfactory fibre supply arrangements, a collective agreement and a power supply agreement in respect of the cogeneration project; and the expected effects of the acquisition of the LSQ Mill on the business of the Corporation. Forward-looking statements are based on the then-current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Corporation operates, including assumptions relating to the ability of the Corporation and the other parties thereto to satisfy the conditions required in order to complete the Purchase Agreement and all related arrangements; the Corporation's ability to complete the necessary financing to successfully implement its business plan in respect of the LSQ Mill on terms satisfactory to the Corporation; the success, profitability and other expected benefits of the dissolving pulp operation and cogeneration plant; the expected effects of the acquisition of the LSQ Mill on the business of the Corporation; the state of the market in the dissolving pulp and green bio-energy sectors; and the Corporation's ability to obtain municipal and other governmental support and enter into adequate fibre supply arrangements, a collective agreement and power supply arrangements to achieve the expected benefits resulting from the acquisition and to make the project economically viable. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, that the conditions to closing the Purchase Agreement will not be satisfied and that the Corporation will be unable to complete the Purchase Agreement; the Corporation will not obtain the necessary financing to complete its business plan in respect of the LSQ Mill; the Corporation will be unable to implement its business plan in respect of the LSQ Mill as planned or at all; that the dissolving pulp operation and cogeneration plant will not be successful or profitable and will not meet anticipated production capacities; that the Corporation will be unable to enter into a satisfactory power supply arrangement, collective agreement or fibre supply arrangements on or before closing of the acquisition or at all; and those risks relating to changes in the market, potential downturns in economic conditions, fluctuations in the price and supply of raw materials, foreign exchange fluctuations, labour relations, regulatory requirements, reputation, competition, dependence on major customers, and other risk factors listed from time to time in the Corporation's public filings. These risks, as well as others, could cause actual results and events to vary significantly. Accordingly, readers should not place undue reliance on forward-looking statements and information, which are qualified in their entirety by this cautionary statement. Fortress Paper does not undertake any obligations to release publicly any revisions to or updating any voluntary forward-looking statements, except as required by applicable securities law.