

For Immediate Release



FORTRESS PAPER PROVIDES UPDATE ON FORTRESS SPECIALTY CELLULOSE MILL

VANCOUVER, British Columbia, January 25, 2013 – Fortress Paper Ltd. ("**Fortress**" or the "**Company**") (TSX:FTP) announces that the cogeneration project at its Fortress Specialty Cellulose Mill is nearing completion, with engineering and procurement completed and overall construction progress continuing and currently at approximately 94%. However, commissioning and start-up activities have incurred delays as a result of various factors, including unforeseen piping related delays, reduced manpower availability and minor scope of work adjustments. As a result, the Company now expects delivery of power to commence late in the first quarter or early in the second quarter of 2013, and anticipates additional costs in the 10-20% range for the overall cogeneration project. Hydro Quebec is aware of the postponement and the Company anticipates delivery of power pursuant to the power purchase agreement in the normal course.

The Fortress Specialty Cellulose Mill continues to ramp-up its production of dissolving pulp. Despite promising operating results in November and December 2012, the mill has encountered challenging ramp-up issues which are intrinsic to a dissolving pulp mill ramp-up. The Company expects that the implementation of its comprehensive "Operating Excellence" program will improve operating efficiency and productivity in the near future.

Chadwick Wasilenkoff, Chairman and Chief Executive Officer of Fortress Paper, commented: "Although the beginning of 2013 has presented certain minor technical issues and constraints beyond our control, we believe that these matters will be resolved in the near term and we will continue on with our progress towards full capacity."

About Fortress Paper

Fortress Paper operates internationally in three distinct business segments: dissolving pulp, specialty papers and security paper products. 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 is also seeking to expand its dissolving pulp capacity with the recent acquisition of the Fortress Global Cellulose Mill located at Lebel-sur-Quévillon, Québec, which the Company intends to convert into a dissolving pulp mill and where the Company intends to re-start the cogeneration facility.

The Company 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 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.

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This press release contains certain forward-looking statements that reflect the current views and/or expectations of Fortress Paper with respect to its performance, business and future events, including statements regarding the timing of the completion of the cogeneration facility at the Fortress Specialty Cellulose Mill; and the effectiveness of its Operating Excellence program. The reader is cautioned that forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other factors which are difficult to predict and that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Forward-looking statements are based on the then-current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Company operates. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Assumptions underlying the Company's expectations regarding forward-looking statements contained in this news release include, among others: that there will be no further unforeseen or unexpected delays that will further impact the timing of completion of the cogeneration project; and that the Operating Excellence program implemented by the Company will address remaining issues affecting the dissolving pulp ramp-up. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, risks that the completion of the cogeneration facility at the Fortress Specialty Cellulose Mill will not proceed as expected; that its Operating Excellence program will not be effective and will not result in improved operational results; that market conditions for dissolving pulp will not continue to be favourable; and other risk factors listed from time to time in the Company's public filings. These risks, as well as others, could cause actual results and events to vary significantly. Accordingly, readers should not place undue reliance on forward-looking statements, which are qualified in their entirety by this cautionary statement. Fortress Paper does not undertake any obligations to release publicly any revisions for updating any voluntary forward looking statements, except as required by applicable securities law.