

For Immediate Release



FORTRESS PAPER ANNOUNCES AN ACQUISITION TO ENTER THE SPECIALTY CELLULOSE AND BIO-ENERGY SECTORS

VANCOUVER, British Columbia, March 18, 2010 – Fortress Paper Ltd. (“Fortress Paper” or the “Corporation”), a leading producer of security and specialty papers, in a major strategic move today announces the signing of an asset purchase agreement (“APA”) to acquire the assets of a northern bleached hardwood kraft (“NBHK”) manufacturing facility located in Thurso, Quebec (the “Thurso Mill”) from Fraser Papers Inc. (“Fraser”) with the intention to convert this operation into a world class, low cost, specialty cellulose (dissolving pulp) operation. Concurrently, Fortress Paper intends to build a biomass-based cogeneration plant at the Thurso Mill which will produce green electricity resulting in material net energy savings (income).

Upon closing of the acquisition of the Thurso Mill, which will be completed through its wholly-owned subsidiary Fortress Specialty Cellulose Inc. (“Fortress Specialty”), the Corporation intends to incur capital expenditures of approximately \$153 million to convert the non-operating NBHK mill into a high quality specialty cellulose mill and to construct a new cogeneration facility. In connection with the proposed capital expenditures, Fortress Paper is pleased to announce that it has pre-arranged specific financing initiatives to fund the conversion and cogeneration projects.

The specialty cellulose mill is planned to have an annual production capacity of more than 200,000 air dried metric tonnes and is expected to be completed in mid-2011. In entering into the specialty cellulose sector, Fortress Specialty will focus on producing dissolving grade cellulose for the textile industry, primarily targeting viscose fibre (rayon) products which have shown strong growth of approximately 10% in China and 7% worldwide over the past five years. Rayon is a technically evolved and versatile fibre with many advantages, particularly in the warmer and higher growth regions of the world.

Fortress Paper also plans to construct a 25 megawatt cogeneration facility to service a net 18.8 megawatt power supply agreement over a 15 year term. The location of the cogeneration facility provides it with access to on-site generation of biomass and an extensive local network of chip and other biomass suppliers. The cogeneration facility is expected to be supplying electricity in the fourth quarter of 2012.

Chad Wasilenkoff, CEO of Fortress Paper, states, “We are very pleased to announce this new acquisition which we believe will add significant shareholder value in the years to come. Both the Board of Directors and management of Fortress Paper feel that this new opportunity warrants the diversification of the Corporation into other specialty sectors as it has the potential to materially enhance shareholder value. Once the conversion and cogeneration projects are complete, we will be entering a new product segment which offers long-term growth prospects and attractive margins. During the interim period, we will capitalize on the current strength of the NBHK pulp market. We feel it is important to emphasize that this is not an acquisition to enter into the pulp industry, but rather the opportunity to acquire assets that are ideally suited to be converted into a bio-refinery and produce high value-added products. We intend to strategically enter this sector at a time when demand exceeds current capacity. We believe this trend will continue over the next several years given the limited announced new capacity.”

Pursuant to the terms of the APA, Fortress Paper will pay Fraser \$3 million in cash at closing, subject to certain adjustments. The closing of the APA is subject to various conditions, including (i) as a result of Fraser and its subsidiaries having filed for creditor protection under the *Companies’ Creditors Arrangement Act* (the “CCAA”) in Canada, the approval of the transaction by the Ontario Superior Court of Justice (Commercial List) in connection

therewith, (ii) Fortress Specialty entering into renewed collective agreements with all unionized employees of the Thurso Mill, and (iii) the Corporation and Fortress Specialty securing financing as necessary to implement their proposed business plan at the Thurso Mill. Fortress is optimistic that it will be able to finalize mutually satisfactory renewed collective agreements with the three unions imminently and looks forward to building a mutually beneficial relationship with the community of Thurso. The closing of the acquisition is anticipated to occur on or about April 30, 2010.

Investissement Québec ("IQ") has committed, by way of an agreement in principle, to grant Fortress Specialty a loan in the amount of up to \$102.4 million to support Fortress Paper's proposed business plan in respect of the Thurso Mill. The loan will be secured by the capital assets of Fortress Specialty and will have a term of 10 years. Interest will be calculated at a fixed rate of 5.0% per annum for the first five years, followed by a rate based on the cost of IQ's funds plus 2.0% for the remaining five years, up to a maximum of 5.5% per annum. The loan is subject to receiving the requisite approval of the Government of Québec and is subject to completion of definitive documentation.

Fortress Paper has also signed a conditional commitment letter with a Québec financial institution providing for the subscription of an unsecured convertible debenture of Fortress Paper (the "Debenture") in the principal amount of \$15 million maturing in five years with an interest rate of 7% per annum. The Debenture will be convertible, in whole or in part, at the option of the Québec financial institution into common shares of Fortress Paper at any time after closing of the debenture at a conversion price equal to the lesser of 145% of the trading price of the common shares on the Toronto Stock Exchange (the "TSX") and \$20.00.

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 Debenture financing is subject to various conditions, including approval by the decision-making authorities of the Québec financial institution, satisfactory due diligence, the concurrent completion of the IQ financing, the closing of the APA, receipt of TSX approval for the issuance by Fortress Paper of the Debenture and the completion of definitive documentation.

Included in the assets being purchased from Fraser is approximately \$9.9 million in credits (black liquor credits) granted under the Canadian government's Pulp and Paper Green Transformation Program (the "GTP"). The GTP aims to improve the environmental performance of Canada's pulp and paper industry by funding approved capital projects with environmental benefits. Fortress Paper also intends to apply for approximately \$15.2 million in federal credits under the Green Infrastructure Fund program of the Minister of Transport, Infrastructure & Communities relating to the planned cogeneration project.

As no definitive agreements have been entered into with respect to the financing initiatives described above, there can be no assurance at this time that the financing in connection with the Thurso Mill will be completed on terms acceptable to Fortress Paper or at all.

For more information on the Fortress Specialty Cellulose project you can access the Fortress Specialty Cellulose PowerPoint Presentation by going directly to the link at www.fortress.presenternet.com

A prerecorded voice presentation is available to accompany the PowerPoint and can be accessed at:

Prerecorded Presentation dial-in number 1-877-353-9587 or from overseas 403-699-1055 and follow the prompts. When prompted, enter the 6 digit conference reference number 274464 followed by the number sign (#). The recording will be available for 7 days.

Future replays of the PowerPoint Presentation can be accessed by a link on the front page of our website at www.fortresspaper.com and alternatively at www.fortress.presenternet.com

About Fortress Paper

Fortress Paper is a leading international producer of security and other specialty papers. Fortress Paper operates two paper mills, the Landqart Mill located in Switzerland and the Dresden Mill located in Germany. Fortress Paper's security papers include banknote, passport and visa papers and its specialty papers include non-woven wallpaper base products, and graphic and technical papers. As an extension of its security papers business, the Landqart Mill has been actively developing and marketing innovative paper-based security products.

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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 APA and the outcome of its financing initiatives; its intention to convert the Thurso Mill into a specialty cellulose (dissolving pulp) operation; its plans to build a biomass based cogeneration plant and the financial results and production capacity expected therefrom; its ability to complete the necessary financing to make planned capital expenditures; the expected effects of the acquisition of the Thurso Mill on the business of the Corporation; the state of the market in the specialty cellulose and green bio-energy sectors; and its intended application for federal tax credits. 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 Corporation's ability to complete the APA; its ability to complete the necessary financing to successfully implement its business plan in respect of the Thurso Mill; the success and profitability of the specialty cellulose operation and cogeneration plant; the expected effects of the acquisition of the Thurso Mill on the business of the Corporation; the state of the market in the specialty cellulose and green bio-energy sectors; and the Corporation's ability to obtain certain federal tax credits. 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 Corporation will not complete the APA; will not obtain the necessary financing to complete its business plan in respect of the Thurso Mill; will be unable to implement its business plan in respect of the Thurso Mill as planned or at all; that the specialty cellulose operation and cogeneration plant will not be successful or profitable and will not meet anticipated production capacities; that the Corporation will not obtain the federal tax credits; 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 for updating any voluntary forward-looking statements, except as required by applicable securities law.

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