



FORTRESS PAPER ANNOUNCES SECOND QUARTER 2010 RESULTS

Vancouver, British Columbia, August 9, 2010 – Fortress Paper Ltd. (“Fortress Paper” or the “Company”) reported adjusted net income of \$4.3 million for the second quarter of 2010 on sales of \$60.5 million or adjusted and diluted earnings per share of \$0.37. In the second quarter of 2009 the Company reported adjusted net income of \$2.7 million on sales of \$49.6 million or adjusted and diluted earnings per share of \$0.26. For the first quarter of 2010, the Company reported adjusted net income of \$3.0 million on sales of \$50.3 million or adjusted and diluted earnings per share of \$0.28.

Reported EBITDA for the Company was \$8.1 million for the second quarter of 2010, an improvement compared to \$5.7 million in the second quarter of 2009 and \$5.8 million in the first quarter of 2010. The strength in the pulp prices during the period resulted in higher costs at our Dresden and Landqart mills which were offset by impressive sales and margin development at the Fortress Specialty Cellulose mill.

The improved earnings were the result of significant contribution from the recently acquired Fortress Specialty Cellulose mill. Pulp production and sales at the Fortress Specialty Cellulose mill began in late May and capitalized on the strong pulp prices. These higher pulp prices increased cost of sales and slightly decreased the margins at both our Dresden mill and Landqart mill.

For the six months ended June 30, 2010, Fortress Paper recorded adjusted net income of \$7.3 million or \$0.66 per share (diluted) on sales of \$110.8 million. For the six months ended June 30, 2009, the Company recorded adjusted net income of \$5.2 million or \$0.51 per share (diluted) on sales of \$96.3 million.

Reported EBITDA for the Company was \$13.9 million for the six months ended June 30, 2010, an improvement compared to \$10.7 million in the six months ended June 30, 2009. Excluding EBITDA contribution from the Fortress Specialty Cellulose mill of \$3.5 million, EBITDA would be \$10.4 million which is in line with the prior year comparative period.

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. EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to earnings or cash flows as determined in accordance with Canadian generally accepted accounting principles. As there is no standardized method of calculating EBITDA, the Company’s use for the term may not be comparable with similarly titled measures used by other companies.

The start-up of the Fortress Specialty Cellulose mill in Thurso, Quebec has gone better than planned. Although recently NBHK pulp prices have softened management remains confident that reasonable profit margins will be maintained until the conversion to dissolving pulp is complete. The conversion has begun with the acquisition of digesters, specialized process equipment and other ancillary equipment purchased from Stora Enso Oyi Cellulose Inc. In

addition our Dresden mill has recently implemented price increases for our non-woven wallpaper base. This has been required due to increasing pulp prices globally. Management anticipates margins at our Dresden mill will return to their historical levels. The Landqart mill will continue to produce a product mix of high and low security bank note papers with a temporary focus on non-woven wallpaper base production on papermachine 1 (PM1). Non-woven wallpaper production will cease at Landqart once PM1 is converted to banknote production. The ongoing rebuild of PM1 is currently on time and on budget.

The Company also announces that Mr. Armin Martens has resigned from the Company's board of directors to pursue other business interests. Mr. Martens has been replaced by Mr. Pierre Monahan.

Mr. Monahan currently serves on the board of directors of the Company's wholly-owned subsidiary, Fortress Specialty Cellulose Inc. Mr. Monahan is a highly experienced corporate director, and was formerly the Chief Executive Officer of Alliance Forest Products Inc. and Executive Vice President of Bowater Canada Inc. during which time he oversaw its integration with Alliance Forest Products Inc., an acquisition valued at approximately \$1 billion. Mr. Monahan is also currently a director of Uniboard Canada Inc., an engineered wood manufacturing company and a subsidiary of Pfleiderer AG, Gaz Metro Inc., a gas and power distribution company and AXA Canada Inc., an insurance and asset management company.

Mr. Chad Wasilenkoff, the Company's Chief Executive Officer commented, "On behalf of the board of directors, I would like to thank Armin for his contributions to Fortress Paper. His leadership contributed to the success of the Company and we wish him the best of success in his new endeavours. We are also pleased to have Mr. Monahan join the Company's board at this important time in our development. His experience in the pulp and paper industry will be of value to our shareholders, and his appointment will help ensure that our board is comprised of qualified individuals with experience in each of our core business segments".

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 period ended June 30, 2010 and the related notes thereon and our Management's Discussion and Analysis filed on SEDAR.

Three Months Ended June 30, 2010

(thousands of dollars, except shipments, unaudited)	Q2 2010	Q1 2010	Q2 2009
Sales	60,544	50,304	49,638
EBITDA ¹	8,102	5,808	5,699
Operating income	1,440	4,202	4,460
Net income	40,378	179	1,926
Adjusted net income	4,261	3,035	2,692
Paper shipments (tonnes)	16,324	16,386	14,181
Pulp shipments (tonnes)	18,848	-	-

¹See net income to EBITDA reconciliation.

Net income to EBITDA reconciliation:

(thousands of dollars, unaudited)	Q2 2010	Q1 2010	Q2 2009
Net income	\$40,378	\$179	\$1,926
Income tax	1,067	1,462	1,511
Foreign exchange loss	1,638	2,380	766
Fair value gain on acquisition	(41,804)	-	-
Start-up costs	3,368	-	-
Acquisition costs expensed	681	-	-
Interest expense	160	181	257
Amortization	2,029	1,388	1,029
Stock based compensation	585	218	210
EBITDA	\$8,102	\$5,808	\$5,699

On April 30, 2010 the Company completed the purchase of a northern bleached hardwood kraft pulp mill located in Thurso, Quebec from Fraser Papers Inc. through a wholly-owned subsidiary, Fortress Specialty Cellulose Inc., for \$3 million. The Company intends to convert the Thurso operations into a dissolving pulp mill.

The allocation of the purchase price to assets acquired and liabilities assumed is based upon estimated fair values at the date of acquisition. Fair values are estimated using market information where applicable; however, directly comparable information is not always readily available so significant estimates and judgment are used. The Company believes it has made reasonable assumptions with respect to determining the fair values recognized. Management has substantially completed the process of determining fair values for the assets and liabilities acquired. However, the purchase price allocation is subject to change if new information becomes available as the valuation is completed in 2010.

A gain of \$41,804 has been recognized as the estimated fair values of the net assets acquired exceed consideration paid. The gain has been included as other income in the statement of operations.

The acquisition has been accounted for as follows:

Assets acquired at fair values:		
Inventory		\$ 6,019
Property, plant and equipment		58,915
		<u>64,934</u>
Liabilities assumed at fair values:		
Accounts payable		\$ 3,652
Asset retirement obligations		562
Future income tax liabilities		15,916
		<u>20,130</u>
Net assets acquired at fair values		44,804
Consideration paid		<u>3,000</u>
Fair value gain on acquisition		<u>\$ 41,804</u>

The Company

Fortress Paper is a leading international producer of security and other specialty papers and products. Fortress operates three mills, the Landqart Mill located in Switzerland, the Dresden Mill located in Germany and the Fortress Specialty Cellulose Mill located in Quebec, Canada. 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. Fortress Paper's pulp business includes NBHK produced at the Fortress Specialty Cellulose Mill with plans to convert this capacity into dissolving pulp production along with the construction of a biomass based cogeneration plant.

Conference Call

A conference call to discuss the financial results for the second quarter 2010 will be held on August 10, 2010 at 9:30 a.m. (PST). To attend the conference call, please dial one of the following numbers:

North America: 1-877-353-9586

International: 1-403-532-8075

Participant pass code: 98030#

A replay of the conference call will be available for 7 days. To access the replay, listeners may dial 1-877-245-4531 from North America or 403-205-4531 International. The pass code to access the replay is 373499#.

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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