

**For Immediate Release**



**FORTRESS PAPER CLOSES ACQUISITION OF OPTICAL SECURITY ASSETS  
FROM THE BANK OF CANADA AND COMPLETES REBUILD OF  
BANKNOTE AND SECURITY PAPER MACHINE**

VANCOUVER, British Columbia, January 4, 2011 – Fortress Paper Ltd. ("Fortress Paper" or the "Corporation") (TSX:FTP) is pleased to announce the successful completion of its acquisition of the assets of the Bank of Canada's Optical Security Material (OSM) division (the "OSM Assets"), which produces the optically variable material for the security threads contained in various banknotes, including application in the Canadian banknotes. Fortress Paper is also pleased to announce that the rebuild of Paper Machine No. 1 ("PM1") at its Landqart Mill, previously announced in January 2010, has been completed on time, is expected to be materially on budget and is currently in the paper production testing phase.

**Acquisition of OSM Assets**

Chad Wasilenkoff, Chief Executive Officer of Fortress Paper, commented, "As well as finalizing the acquisition of the OSM Assets, we have secured the employment services of the key members of the OSM team, which should facilitate a smooth transition. We are confident that we will be able to maintain operational continuity and production quality while integrating the OSM Assets into our operations."

The OSM Assets acquired by Fortress Paper include certain patent applications and intellectual property rights to optical security features, unique security applications and substantially all of the production equipment and machinery currently used at the OSM division.

**Paper Machine No. 1 Rebuild**

Commencing in the first quarter of 2010, Fortress undertook a significant capital program to rebuild PM1 into a banknote and security papers machine. Prior to the rebuild, PM1 was utilized to produce specialty papers and low to medium security papers. The rebuilt PM1 is expected to increase the Corporation's aggregate banknote and high security papers production capacity from the current 2,500 tonnes per annum to approximately 10,000 tonnes per annum.

Alfonso Ciotola, President of Fortress Paper, commented, "Completing this project on time and materially on budget is a credit to the experienced and skilled team at our Landqart mill. We look forward to further growing our banknote and high security papers business with the additional capacity available on the rebuilt PM1."

Having successfully completed preliminary paper production testing on the rebuilt PM1, the Corporation anticipates that PM1 will be ready for commercial banknote and high security papers production in January 2011.

**About Fortress Paper**

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. 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.

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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 ability to retain key members of the OSM team, its intention to relocate the OSM Assets to its new high security production and research and development facility (the "New Facility"), the capital expenditures expected to be undertaken at the New Facility, the expected effects of the acquisition on the business of the Corporation, the expected successful completion of testing on the rebuilt PM1, the expected final costs for the rebuild of PM1, the commercial production of banknote and high security papers on PM1, the banknote and security papers production capacity of PM1, the potential expansion of the Corporation's banknote and high security papers business and the carrying-out and completion of any other capital expenditure programs. 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 that the Corporation will successfully retain key members of the OSM team, complete the planned capital expenditures at the New Facility and successfully relocate and integrate the OSM Assets thereat, that the OSM Assets will enhance the Corporation's security papers business, that the Corporation will successfully complete all testing of the rebuilt PM1, that the final costs for the rebuild of PM1 will be materially on budget, that PM1 will be brought into commercial production, that it will increase the Corporation's banknote production capacity as expected, that the increased production capacity will facilitate an increase in the Corporation's banknote business and that the Corporation will undertake and successfully complete further capital expenditure programs. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, those relating to changes in the market, potential downturns in economic conditions, foreign exchange fluctuations, regulatory requirements, competition, risks associated with the capital expenditures planned for the New Facility or otherwise, that the Corporation will be able to implement its business plan in respect of the OSM Assets and the rebuilt PM1 as planned or at all, that the acquisition will not have the expected effect on the Corporation's business, that the final costs for the rebuild of PM1 will be materially as budgeted, that the Corporation will be able to successfully bring PM1 into commercial production as planned, with the expected production capacity, or at all, 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. 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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