



FORTRESS PAPER ANNOUNCES FIRST QUARTER 2016 RESULTS

Vancouver, British Columbia, May 16, 2016 – Fortress Paper Ltd. (“Fortress Paper” or the “Company”) reported 2016 first quarter operating EBITDA of \$1.1 million. The Dissolving Pulp Segment generated operating EBITDA of \$1.3 million and the Security Paper Products Segment generated EBITDA of \$1.8 million. Corporate costs included in operating EBITDA were \$2.0 million.

“Management reports another quarter of positive operating EBITDA,” stated Yvon Pelletier, Chief Executive Officer. “Operating EBITDA for the first quarter of 2016 was \$1.1 million, a \$3.6 million improvement from the operating EBITDA loss of \$2.5 million for the prior year comparative quarter. The Dissolving Pulp Segment continued to generate positive operating EBITDA during the first quarter of 2016, a result of improved pricing for dissolving pulp, continued stable electricity generation and favorable foreign exchange rates on sales. However, the FSC mill efficiency was below management’s objective. We believe the dissolving pulp market outlook for 2016 will continue to be positive. Management continues to focus on cost reductions, production and power generation to improve margins at the FSC mill. In the Security Paper Products Segment, our proprietary banknote substrate, Durasafe®, achieved notable milestones with the announcement of the release into circulation of the 50 Swiss Franc produced on Durasafe® and a regional banknote of the year award for the Kazakhstan 20,000 Tenge banknote produced on Durasafe® paper. The Segment continues to build on a strong order book for 2016 and 2017.”

First Quarter 2016 Segment Results

Dissolving Pulp Segment operating EBITDA was \$1.3 million for the first quarter of 2016 representing a decrease of \$0.2 million when compared to the fourth quarter of 2015. The results of the first quarter of 2016 were negatively impacted by a ten day shutdown instigated by a blockage issue in the mill. In addition, digester capacity was limited in order to maintain quality during winter months, an issue the Company has allocated significant resources to resolve. Dissolving Pulp Segment operating EBITDA for the first quarter was a \$4.6 million improvement when compared to the first quarter of 2015. This improvement was a result of increased power generation sold under the power supply agreements with Hydro Québec as well as higher dissolving pulp prices and favourable foreign exchange rates on sales.

The Company sold 31,762 air dried metric tonnes (“ADMT”) of dissolving pulp in the first quarter of 2016 compared to 29,424 ADMT of dissolving pulp in the previous quarter. Although results continue to be impacted by the current dissolving pulp market and the MOFCOM decision to impose antidumping duties, management believes results should improve at the Fortress Specialty Cellulose (“FSC”) mill due to stable market conditions, relatively favourable foreign exchange rate to the US dollar and anticipated improvements in production costs. The initiatives to reduce operational costs are focused primarily in the following areas: productivity improvement, reducing fuel consumption, increasing power generation, and chemical cost optimization.

Security Paper Products Segment operating EBITDA was \$1.8 million for the first quarter of 2016 a decrease of \$2.1 million when compared to the fourth quarter of 2015 and a decrease of \$0.5 million when compared to the first quarter of 2015. The Landqart mill continues to implement new initiatives to improve efficiencies and profitability. The Landqart mill sold 2,655 tonnes of security paper in the first quarter of 2016, compared to 2,523 tonnes in the fourth quarter of 2015. Results in the first quarter of 2016 was impacted primarily by product mix.

Management's Outlook

Dissolving Pulp Segment

Management expects consistent viscose staple fibre ("VSF") and dissolving pulp pricing through the second quarter of 2016 in part due to increasing demand in yarn and textile markets. Dissolving pulp and VSF prices have increased by US\$20 per tonne and US\$178 per tonne, respectively, from their lows in 2016. As management expects the dissolving pulp market to remain below long term trend pricing in the near term and low cotton and polyester pricing to continue to put pressure on all fibre pricing, the Company's focus continues to be on ongoing cost reduction initiatives to position the mill further down the cost curve.

Management believes the long-term growth prospects for the world textile and fibre markets should continue to improve with increasing population and a growing middle class in certain markets. Worldwide use of fibre was up approximately 3% in 2015 and is projected to continue to increase for the next several years. Demand for manmade fiber has increased while demand for cotton has continued to decline. VSF demand is anticipated to grow 5 to 6% per year as reported in The Fiber Year 2016.

Management continues to focus on cost reductions, production improvement and power generation to improve margins at the FSC mill. The Lean Six Sigma program, recently implemented at the FSC mill, resulted in both the elimination of the blockage issue and uptime improvements in the digester area of the mill. During the shutdown in early 2016, the Company performed additional maintenance scheduled for the second quarter of 2016 planned shutdown.

The collective agreements with unionized employees at the FSC mill expired on April 30, 2016. Bargaining negotiations are ongoing with an expected new agreement to be signed during the second quarter of 2016.

Security Paper Products Segment

Despite overcapacity in the security paper market, the Landqart mill continues to build on a strong order book for 2016 and 2017 comprised of a mix of new and repeat orders. Results at the Landqart mill for the quarter ended March 31, 2016 were lower than the fourth quarter of 2015, due primarily to fluctuations in foreign exchange rates and product mix. Management initiatives to improve results at the Landqart mill include the Company's Lean Six Sigma program implemented in late 2013, which focuses on improving both mill efficiency and productivity and a focus on developing proprietary Durasafe® products. Production of Durasafe® for the substrate of the ninth series of the Swiss franc for the Swiss National Bank ("SNB") began in 2014 and will continue in 2016 and beyond. In April 2016, the SNB issued the new 50 franc note printed on Durasafe®, the first of six notes in the SNB ninth series. In March 2016, the National Bank of Kazakhstan 20,000 Tenge banknote produced with Fortress Paper's Durasafe®

banknote substrate was the recipient of the Regional Banknote of the Year award at the High Security Printing Europe conference.

For a summary of significant developments please refer to the Management's Discussion and Analysis for the three month period ended March 31, 2016 (available on SEDAR at www.sedar.com).

Selected Financial Information

The selected financial information presented herein is qualified in its entirety by, and should be read in conjunction with, the Company's unaudited condensed consolidated financial statements as at and for the three month period ended March 31, 2016 and the related notes thereto and Management's Discussion and Analysis, which are available on SEDAR.

Reference is made in this news release to operating EBITDA (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 an indicative measure of operating performance and a metric to evaluate profitability. Operating EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to net loss or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating this measure, the Company's operating EBITDA may not be directly comparable with similarly titled measures used by other companies. Reconciliation of operating EBITDA to net loss reported in accordance with IFRS is included below.

Selected Financial Information and Statistics

(thousands of dollars, except shipments, unaudited)	Q1 2016	Q4 2015	Q1 2015
Sales	80,012	74,576	73,851
Operating EBITDA (loss) ⁽¹⁾	1,055	3,335	(2,535)
Net loss	(13,041)	(3,680)	(17,959)
Paper shipments (tonnes)	2,655	2,523	2,715
Pulp shipments (ADMT)	31,762	29,424	38,957

⁽¹⁾ See Net Loss to Operating EBITDA Reconciliation.

A conference call to discuss the financial results for the first quarter 2016 will be held on May 17, 2016 at 9:00 a.m. (PST). To participate in the conference call, please dial one of the following numbers:

604-681-8564 Vancouver
 403-532-5601 Calgary or International
 780-429-5820 Edmonton
 416-623-0333 Toronto
 613-212-0171 Ottawa
 514-687-4017 Montreal

Toll Free Dial in Number: 1-855-353-9183 from Canada and USA

Participant pass code: 15086#

Conference Reference Number: 1196691#

A replay of the conference call will be available for 30 days. To access the replay, listeners may dial 1-855-201-2300 from North America or 403-255-0697 International. The conference reference number is 1196691# and the participant pass code to access the replay is 15086#.

A presentation to complement our first quarter earnings conference call is available under the “Investor Relations” section at www.fortresspaper.com or by sending a request to info@fortresspaper.com

Financial Reconciliations

Net Loss to Operating EBITDA Reconciliation:

(thousands of dollars, unaudited)	Q1 2016	Q4 2015	Q1 2015
Net loss	(13,041)	(3,680)	(17,959)
Income tax expense (recovery)	5	(1,310)	11
Foreign exchange loss (gain)	852	(559)	1,615
Net finance expense	5,179	5,528	5,028
Amortization	7,882	7,785	7,406
Change in fair value of marketable securities	137	(437)	601
Employee benefit past service cost adjustment	-	(4,068)	-
Stock based compensation	41	76	241
Prior period sales price adjustment	-	-	522
Operating EBITDA (loss)	1,055	3,335	(2,535)

The Company

Fortress Paper operates internationally in two distinct business segments: dissolving pulp and security paper products. The Company operates its dissolving pulp business at the Fortress Specialty Cellulose mill located in Canada, which has expanded into the renewable energy generation sector with the construction of a cogeneration facility. 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.

For further information please contact:

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Forward-Looking Information

This news release contains certain forward-looking information that reflects the current views and/or expectations of the Company with respect to its expectations, beliefs, assumptions, estimates and forecasts about its business and the industry and markets in which it operates. The reader is cautioned that forward-looking information is not a guarantee of future performance

and involves 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 information. Accordingly, readers should not place undue reliance on forward-looking information, which is qualified entirely by this cautionary statement. Examples of such forward-looking information contained in this news release include statements relating to: the growth and future prospects of the Company's business; market conditions for dissolving pulp; expectations relating to the renewal of collective agreements; and the benefits that may accrue to the Company as the result of certain dispositions and cost reduction and production improvement initiatives. Assumptions underlying the Company's expectations regarding forward-looking information contained in this news release include, among others: that the Company will be able to effectively market its products; the ability of the Company to realize significant cost-savings from production improvements, cost reduction initiatives and the cogeneration facility at the Fortress Specialty Cellulose Mill; that equipment will operate at expected levels; that labour relations will remain positive; and that the Company's assumptions relating to dissolving pulp markets will be accurate. Persons reading this news release are cautioned that forward-looking information represents predictions only, and that the Company's actual future results or performance are subject to certain risks and uncertainties including, without limitation: that market conditions for dissolving pulp will not improve or will worsen; the Company will not realize anticipated cost savings from its cost reduction initiatives; equipment will not operate as intended; that work stoppages or other disturbances may occur as a result of delays in or the failure of negotiations of new collective agreements; and other risk factors detailed in the Company's most recent Annual Information Form and other filings with Canadian securities regulatory authorities. These risks, as well as others, could cause actual results and events to vary significantly. The Company does not undertake any obligation to update any forward-looking information, except as required by applicable securities law.