



TSX: FTP

FORTRESS PAPER ANNOUNCES THIRD QUARTER 2016 RESULTS

Vancouver, British Columbia, November 14, 2016 – Fortress Paper Ltd. (“Fortress Paper” or the “Company”) reported 2016 third quarter operating EBITDA of \$7.6 million, an increase of \$1.3 million and \$2.1 million over the previous quarter and prior year comparative period, respectively. The Dissolving Pulp Segment generated operating EBITDA of \$11.9 million and the Security Paper Products Segment incurred EBITDA loss of \$1.8 million. Corporate costs included in operating EBITDA were \$2.5 million.

“Management is pleased to report an improved quarter of operating EBITDA compared to the prior quarter and our best consolidated operating EBITDA result since the restart of the FSC mill after its conversion to a dissolving pulp mill,” stated CEO Yvon Pelletier. “The Company’s fourth quarter results, as is typical, will be impacted by the annual scheduled maintenance shutdown and subsequent ramp up. Incorporating the impact of the planned shutdown, management expects fourth quarter results at the FSC mill to be lower relative to the prior quarter. Management believes the third quarter results at the Landqart mill are not representative of the future profitability of the order book. The Landqart mill incurred certain unanticipated expenses in the third quarter, as well as expenditures for investment in future sales growth that are not expected to reoccur. The Landqart mill is expected to contribute positively in the fourth quarter.”

Third Quarter 2016 Segment Results

Dissolving Pulp Segment generated operating EBITDA of \$11.9 million for the quarter ended September 30, 2016 representing an increase of \$8.7 million compared to the second quarter of 2016. The third quarter of 2016 was favourably impacted by an improved cost structure, improved pricing and an increase in cogeneration revenues. Operating EBITDA results for the third quarter of 2016 increased by \$6.5 million compared to the third quarter of 2015. This improvement was a result of higher dissolving pulp prices and an improved cost structure. During the quarter ended September 30, 2016, the Fortress Specialty Cellulose (“FSC”) mill sold 40,992 ADMT of dissolving pulp compared to 39,931 ADMT and 45,377 ADMT in the previous quarter and prior year comparative period, respectively.

Security Paper Products Segment operating EBITDA loss was \$1.8 million for the quarter ended September 30, 2016, a \$6.5 million decrease when compared to the second quarter of 2016, and a \$4.0 million decrease when compared to results in the third quarter of 2015. The Landqart mill sold 2,431 tonnes of security paper in the third quarter of 2016, compared to 2,714 and 2,456 tonnes of security paper sales in the second quarter of 2016 and third quarter of 2015, respectively. Security paper production includes banknotes, which result in varying degrees of costs and margins depending on the complexity of the security features included.

Management's Outlook

Dissolving Pulp Segment

The FSC mill experienced its best quarterly results since the mill conversion completed in 2011. In the third quarter of 2016, the FSC mill's production costs, including amortization of some of the shutdown costs and the positive impact of the cogeneration facility, averaged \$787 per ADMT of dissolving pulp produced, representing a significant improvement from the previous quarter. Production costs are expected to be higher in the fourth quarter of 2016 due to the annual maintenance shutdown and some seasonal impact going into the winter months.

Management expects consistent Viscose staple fibre ("VSF") and dissolving pulp pricing through the fourth quarter of 2016 in part due to increasing demand in yarn and textile markets. Dissolving pulp and VSF prices have increased by US\$145 per tonne and US\$504 per tonne, respectively, from lows in early 2016. Increased cotton pricing continues to put upward pressure on all fibre pricing.

Management continues to focus on cost reductions, production improvement and power generation to improve margins at the FSC mill. The Lean Six Sigma program has improved mill efficiencies and stabilized operations. In October 2016, the mill appointed an experienced President of the Dissolving Pulp segment with significant expertise in Lean Six Sigma which management expects will contribute to further improvements at the mill.

Security Paper Products Segment

The Landqart mill continues to build on a strong order book for the remainder of 2016 and 2017, comprised of a mix of new and repeat orders. Results at the Landqart mill for the quarter ended September 30, 2016 were not in line with management expectations, nor representative of the future profitability of the order book. While unusual for the Landqart mill, technical challenges led to mill inefficiencies for the third quarter. Additionally, a breakdown of an asset used for chemical treatment heavily influenced the manufacturing line. This has since been remediated.

Management has taken strong corrective actions and initiatives to improve results at the Landqart mill with a further expansion of the Company's current Lean Six Sigma program.

For a summary of significant developments please refer to the Management's Discussion and Analysis for the three and nine month periods ended September 30, 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 and nine month periods ended September 30, 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)	Q3 2016	Q2 2016	Q3 2015
Sales	82,148	87,993	85,169
Operating EBITDA ⁽¹⁾	7,628	6,307	5,533
Net income (loss)	20,301	6,893	(5,178)
Adjusted net loss	(3,847)	(6,921)	(8,433)
Paper shipments (tonnes)	2,431	2,714	2,456
Pulp shipments (ADMT)	40,992	39,931	45,377

⁽¹⁾ See Net Income (Loss) to Operating EBITDA Reconciliation.

A conference call to discuss the financial results for the third quarter 2016 will be held on November 15, 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: 1206773#

A replay of the conference call will be available until midnight, December 15, 2016. To access the replay, listeners may dial 1-855-201-2300 from Canada or the USA or dial 403-255-0697 from local Calgary or International. The conference reference number is 1206773# and the participant pass code to access the replay is 15086#.

A presentation to complement our third 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 Income (Loss) to Operating EBITDA Reconciliation:

(thousands of dollars, unaudited)	Q3 2016	Q2 2016	Q3 2015
Net income (loss)	20,301	6,893	(5,178)
Income tax expense	-	5	8
Foreign exchange loss (gain)	474	561	(3,255)
Net finance expense	3,918	5,229	5,163
Gain on disposal of assets	(24,622)	-	-
Amortization	7,522	7,672	7,292
(Gain) loss on financial instruments	(32)	288	(954)
Transition expense	-	-	2,000
Stock based compensation	67	34	96
Non-recurring expenses	-	-	361
Reversal of impairment on property, plant and equipment	-	(14,375)	-
Operating EBITDA	7,628	6,307	5,533

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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Fortress Paper Ltd.
604-904-2328 (info@fortresspaper.com)

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.