

For Immediate Release



**FORTRESS PAPER AGREES TO SELL LABEL-SUR-QUÉVILLON
PULP MILL AND SAWMILL ASSETS FOR \$15.36 MILLION**

VANCOUVER, British Columbia, June 23, 2016 – Fortress Paper Ltd. ("**Fortress Paper**" or the "**Company**") (TSX:FTP) is pleased to announce that it has, through its wholly owned subsidiaries, Fortress Global Cellulose Ltd. ("**Fortress Global**") and Fortress Lumber Corp. (together with Fortress Global, the "**Vendor**"), entered into an asset purchase agreement (the "**APA**") with LSQ Energy, L.P. ("**Energy LP**") and LSQ Development, L.P. (together with Energy LP, the "**Purchaser**"), each a wholly-owned subsidiary of Nexolia Bioenergy Inc., providing for the sale of the buildings, equipment and other ancillary property relating to the non-operating pulp mill and sawmill, as well as the energy generation, connection and transmission plant and related equipment, located in Lebel-sur-Quévillon, Québec (the "**LSQ Mill**") for an aggregate purchase price of \$15.36 million. Pursuant to the terms of the APA, the Company has agreed to guarantee certain limited representations and warranties of the Vendor. The transaction is expected to close on or before July 8, 2016.

The purchase price is to be comprised of: (i) a \$7 million secured note issued by Energy LP in favour of the Vendor (the "**Note**"); (ii) \$0.86 million, by the assumption by the Purchaser of property tax liabilities of the Vendor; and (iii) the assumption by the Purchaser of up to \$7.5 million of the Vendor's liabilities under a trust agreement among BMO Trust Company, 9109-3294 Québec Inc. ("**9109**"), Domtar Inc. and Fortress Global dated June 13, 2012 (the "**Trust Agreement**"). The Vendor intends to assign the Note to Investissement Québec ("**IQ**") immediately following closing in consideration for an equivalent set off against the indebtedness owed to IQ by Fortress Specialty Cellulose Inc. ("**FSC**"). The Note will be guaranteed by FSC, subject to a deferred payment obligation of up to five years, if necessary.

The closing of the APA is subject to various conditions, including: (i) the Purchaser having obtained third-party financing in respect of a portion of the purchase price and working capital; (ii) the governmental authorizations required for the consummation of the transactions contemplated in the APA; (iii) the execution of an amended Trust Agreement and the release of the Vendor from all obligations under the Trust Agreement; (iv) the execution of amended superficies and servitudes agreements between 9109 and the Purchaser, permitting the transfer of certain LSQ Mill assets to the Purchaser; (v) the release of the letters of credit in the aggregate amount of \$1.125 million which had been previously deposited by Fortress Global with Hydro Québec Distribution ("**HQD**") in connection with its electricity supply contract; and (vi) the Purchaser entering into a non-production agreement with the Company providing for the non-production of dissolving pulp and paper grade pulp using the purchased assets at the LSQ Mill. The Purchaser has deposited approximately \$1.98 million into trust with its legal counsel, which amount will be used to pay on closing the property taxes owing by the Vendor and to allow the Purchaser to deliver to HQD the security necessary in order to release the letters of credit previously deposited by Fortress Global.

Yvon Pelletier, President and Chief Executive Officer of Fortress Paper, commented: "The sale of the LSQ Mill represents a divestiture of a non-core asset which will release the Company from a number of future obligations and allow it to focus on other value enhancing transactions to grow its business."

About Fortress Paper

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.

About Nexolia Bioenergy Inc.

Nexolia Bioenergy Inc. is a private company focused on investing in natural resources, renewable energy and other projects that could result in a sustainable economic development and job creation, provide services and resources to northern communities while operating in a transparent and respectful manner towards the communities and the environment.

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This news release contains certain forward-looking information that reflect 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 statements comprising forward-looking information are not guarantees of future performance and involve 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. Examples of such forward-looking information that may be contained in this news release include the anticipated timing and closing of the APA. Assumptions underlying the Company's expectations regarding forward-looking information contained in this news release include, among others: that the Vendor and the Purchaser will be able to satisfy the closing conditions of the APA; and that all required governmental consents and approvals for the APA will be granted in a timely manner. Persons reading this news release are cautioned that statements comprising forward-looking information are only predictions, and that the Company's actual future results or performance are subject to certain risks and uncertainties including, without limitation: that the closing conditions related to the transaction will not be satisfied or waived; that required approvals will not be obtained in the anticipated timeframe or at all; and other risk factors listed from time to time in the Company'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 statements comprising forward-looking 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 information, except as required by applicable securities law.