



FORTRESS PAPER ANNOUNCES FIRST QUARTER 2010 RESULTS

Vancouver, British Columbia, May 11, 2010 – Fortress Paper Ltd. (“Fortress Paper” or the “Company”) reported adjusted net income of \$3.0 million for the first quarter of 2010 on sales of \$50.3 million or adjusted earnings per share of \$0.30. In the first quarter of 2009 the Company reported adjusted net income of \$2.5 million on sales of \$46.6 million or adjusted earnings per share of \$0.25. For the fourth quarter of 2009 the Company reported adjusted net income of \$4.8 million on sales of \$51.0 million or adjusted earnings per share of \$0.47.

Analysis of Specific Items Affecting Comparability of Net Income

(thousands of dollars, except per share figures, unaudited)	Q1 2010	Q4 2009	Q1 2009
Net income as reported	179	3,720	3,584
Foreign exchange loss (gain)	2,380	1,073	(1,055)
Deferred expenses written off	476	-	-
Adjusted net income	3,035	4,793	2,529
Net income per share (EPS), as reported	0.02	0.35	0.35
Impact of above item per share	0.28	0.12	(0.10)
Adjusted net income per share	0.30	0.47	0.25

EBITDA was \$5.8 million or 11.5% of sales for the three months ended March 31, 2010. For the three months ended March 31, 2009 EBITDA was \$5.0 million or 10.8% of sales. EBITDA was \$7.9 million or 15.4% of sales for the three months ended December 31, 2009.

In the first quarter of 2010 the Dresden mill continued to experience strong sales and earnings throughout the quarter. The Landqart mill results reflected the product mix during the quarter. The banknote paper machine remains full and the conversion of paper machine one from a specialty paper machine to a banknote paper machine is on track. The increase in EBITDA relative to the prior year comparative period was partially due to the global financial and economic crisis which impacted sales early in 2009.

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.

Chadwick Wasilenkoff, chief executive officer of Fortress Paper, states: “This is an exciting time for the Company. The recently announced acquisition of the Thurso mill will diversify our specialty product mix and we believe will provide a significant financial contribution to Fortress's growth aspirations. We plan to ramp up operations at the Thurso mill while we immediately begin the conversion into a dissolving pulp operation. The Dresden mill continues to perform extremely well, while the Landqart mill is experiencing results which are reflective of the current product mix of banknotes which offer lower margins.”

Selected Financial Information

The selected financial information presented herein is qualified in its entirety by, and should be read in conjunction with, our audited consolidated financial statements as at and for the year ended December 31, 2009 and the related notes thereon and our Management’s Discussion and Analysis filed on SEDAR.

Three Months Ended March 31, 2010

Selected Financial Information and Statistics
(thousands of dollars, except per unit
amounts and shipments, unaudited)

	Q1 2010	Q4 2009	Q1 2009
Sales	50,304	51,049	46,623
EBITDA	5,808	7,885	5,032
Operating income	4,202	6,292	3,765
Net income	179	3,720	3,584
Basic EPS	\$0.02	\$0.36	\$0.35
Weighted average shares outstanding basic (thousands)	10,234	10,234	10,234
Diluted EPS	\$0.02	\$0.35	\$0.35
Weighted average shares outstanding diluted (thousands)	10,713	10,487	10,234
Shipments (tonnes)			
Landqart mill	4,287	3,673	3,721
Dresden mill	12,099	11,618	9,002
Total	16,386	15,291	12,723

Operational Results

Landqart produces various security and specialty papers. Security paper production includes banknote paper which results in varying degrees of EBITDA margin depending on the complexity of the features included. During 2008 Landqart also started producing non-woven wallpaper base. Included in Landqart’s sales number for the quarter ended March 31, 2010 is approximately 1,581 tonnes of non-woven wallpaper base. At the Landqart mill the order log for security papers remains stable.

At the Dresden mill, the wallpaper base market experienced continued strength throughout the quarter. Sales tonnage has increased relative to the prior year comparative periods and profitability remains solid.

Subsequent Events

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. ("Fortress Specialty Cellulose"), for the net proceeds of approximately \$1.2 million. The Company has announced the intention of converting this mill into a specialty cellulose (dissolving pulp) operation and to build a biomass-based cogeneration plant. The valuation of this acquisition for accounting purposes and the effect on the financial statements of the Company are still being determined.

Concurrent with this acquisition the Company finalized \$102.4 million in project financing with a term of 10 years secured by the assets of Fortress Specialty Cellulose. Interest will be calculated at a fixed rate of 5.0% per annum for the first five years, followed by a rate of up to 5.5% for the remaining 5 years.

Also concurrent with this acquisition Fortress Paper issued a \$15 million convertible debenture to a financial institution. The convertible debt matures in five years with an interest rate of 7% per annum. The debenture is convertible, in whole or in part, at the option of the holder into common shares of Fortress Paper at any time at a conversion price equal to \$20.00 per share. Fortress Paper can redeem the debenture, in whole or in part, at any point after two years at a conversion price of not less than \$25.00 per share.

The Company

Fortress Paper is a leading international producer of security and other specialty papers. The Company operates two paper mills, the Landqart mill located in Switzerland and the Dresden mill located in Germany. The Company's security papers include banknote, passport and visa papers and its specialty papers include non-woven wallpaper base products, and graphic and technical papers. As an extension of its security papers business, the Landqart mill has been actively developing and marketing innovative paper-based security products.

Conference Call

A conference call to discuss the financial results for the first quarter 2010 will be held on May 12, 2010 at 8:00 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: 90198#

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 347381#.

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, including its intention to convert the Thurso Mill into a specialty cellulose (dissolving pulp) operation; its plans to build a biomass based cogeneration plan; and the anticipated results. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, that the Corporation will not obtain the necessary financing to complete its business plan in respect of the Thurso Mill; that it will be unable to implement its business plan in respect of the Thurso Mill as planned or at all; that the specialty cellulose operation and cogeneration plant will not be successful or profitable; and those risks

relating to changes in the market, potential downturns in economic conditions, fluctuations in the price and supply of raw materials, foreign exchange fluctuations, labour relations, regulatory requirements, reputation, competition, dependence on major customers, 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. Accordingly, readers should not place undue reliance on forward-looking statements and 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 statements, except as required by applicable securities law.

For further information please contact:

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