

For Immediate Release



FORTRESS PAPER PROVIDES UPDATE ON FORTRESS SPECIALTY CELLULOSE MILL

VANCOUVER, British Columbia, July 2, 2013 – Fortress Paper Ltd. ("**Fortress Paper**" or the "**Company**") wishes to provide an update on its operations at its Fortress Specialty Cellulose Mill (the "**FSC Mill**") in Thurso, Quebec.

During the second quarter, the turbine component of the cogeneration project was successfully synchronized to the power grid on more than one occasion and has operated up to 4 megawatts without incident. The turbine will continue to undergo a series of additional tests by the manufacturer. Due to an unexpected mechanical failure of the high pressure water pump and the backup pump, the cogeneration project will not be completed by the end of the second quarter as previously anticipated. The Company is currently implementing multiple solutions to resolve this issue as quickly as possible and is working closely with the supplier, who has undertaken a comprehensive review of the water pump.

As the current water pump supplier expects the water pump to be operational in mid-July, the Company anticipates its cogeneration facility producing power before the end of July. However, in order to mitigate the potential risk of further delays caused by the current water pump repair not being resolved by such date, the Company has ordered another pump from another supplier which should be delivered in approximately 10 weeks and require approximately one week to install. The Company will proceed with the mandatory 100 hour grid test upon the installation of the repaired or replaced water pump.

Chadwick Wasilenkoff, Chairman and Chief Executive Officer of Fortress Paper, commented: "While this further delay in the start up of the cogeneration facility is frustrating, we remain confident that in the near term this pump will be repaired or replaced. Once the cogeneration facility is operational, we will see production costs at the mill improve towards our originally targeted cost structure."

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 is also in the process of expanding into the renewable energy generation sector with the construction of a cogeneration facility. The Company is also seeking to expand its dissolving pulp capacity with the recent acquisition of Fortress Global Cellulose Mill located at Lebel-sur-Quévillon, Québec, which the Company is evaluating to convert into a dissolving pulp mill and re-start the 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, and at its high security production and research facility located in Canada, where it manufactures optically variable thin film material.

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This press 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 regarding the timing of the completion of the cogeneration facility at the Fortress Specialty Cellulose Mill; and the timing and completion of any repairs. The reader is cautioned that forward-looking statements 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 statements. 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 Company operates. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Assumptions underlying the Company's expectations regarding forward-looking statements contained in this news release include, among others: that there will be no further unforeseen or unexpected delays that will further impact the timing of completion of the cogeneration project. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, risks that the completion of the cogeneration facility at the Fortress Specialty Cellulose Mill will not proceed as expected; that market conditions for dissolving pulp will not continue to be favourable; 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 forward-looking statements, 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.