



Fortress Paper Ltd.

NOTICE OF ANNUAL MEETING AND MANAGEMENT PROXY CIRCULAR

Time: April 30, 2008, at 10:00 a.m.

Place: 1000 - 925 West Georgia Street
Vancouver, British Columbia
Canada

FORTRESS PAPER LTD.

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 30, 2008**

TO: The Shareholders of Fortress Paper Ltd.

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of Fortress Paper Ltd. (the "**Corporation**") will be held at 1000 - 925 West Georgia Street, Vancouver, British Columbia, Canada, on Wednesday, April 30, 2008, at 10:00 a.m. (Vancouver time) (the "**Meeting**"), for the following purposes:

1. to receive and consider the financial statements of the Corporation for the financial year ended December 31, 2007, together with the report of the auditors thereon;
2. to elect directors of the Corporation for the ensuing year;
3. to appoint the auditors of the Corporation for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditors for the ensuing year; and
4. to transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

Accompanying this notice of meeting is the management proxy circular, a form of proxy and a financial statement request form.

Shareholders who are unable to attend the Meeting are requested to complete, sign, date and return the enclosed form of proxy in accordance with the instructions set out in the form of proxy and in the management proxy circular accompanying this notice of meeting. A proxy will not be valid unless it is deposited with Pacific Corporate Trust Company, 510 Burrard Street, 2nd Floor, Vancouver, British Columbia V6C 3B9, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment(s) thereof. The Chairman of the Meeting has the discretion to accept proxies received after that time.

DATED at Vancouver, British Columbia, this 25th day of March, 2008.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Chadwick Wasilenkoff _____

Chadwick Wasilenkoff

Chairman, Chief Executive Officer, President and Director

If you are a non-registered shareholder of the Corporation and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary. Failure to do so may result in your shares not being eligible to be voted by proxy at the Meeting.

MANAGEMENT PROXY CIRCULAR

UNLESS OTHERWISE NOTED, INFORMATION IS PROVIDED AS AT MARCH 25, 2008, FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 30, 2008 (THE "MEETING").

This management proxy circular (the "Proxy Circular") is furnished in connection with the solicitation of proxies by management of Fortress Paper Ltd. (the "Corporation") for use at the Meeting and at any adjournment(s) thereof, at the time and place and for the purposes set forth in the accompanying notice of meeting dated March 25, 2008 (the "Notice of Meeting").

It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by officers of the Corporation at nominal cost. The cost of this solicitation will be borne by the Corporation. The Notice of Meeting, form of proxy (the "**Proxy**"), this Proxy Circular and a financial statement request form will be mailed to beneficial owners of common shares of the Corporation commencing on or about April 8, 2008. In this Proxy Circular, except where otherwise indicated, all dollar amounts are expressed in Canadian currency.

RECORD DATE

The board of directors of the Corporation (the "**Board**") has set the close of business on Monday, March 31, 2008, as the record date (the "**Record Date**") for determining which shareholders of the Corporation shall be entitled to receive notice of and to vote at the Meeting. Only shareholders of record as of the Record Date are entitled to receive notice of and to vote at the Meeting, unless after the Record Date a shareholder of record transfers his, her or its common shares and the transferee (the "**Transferee**"), upon establishing that the Transferee owns such common shares, requests in writing, at least ten days prior to the Meeting or at any adjournment(s) thereof, that the Transferee may have his, her or its name included on the list of shareholders entitled to vote at the Meeting. In such case, the Transferee, upon fulfilling the necessary requirements, will be entitled to vote such shares at the Meeting. Such written request by the Transferee shall be filed with the Secretary of the Corporation at 2nd Floor, 157 Chadwick Court, North Vancouver, British Columbia, Canada V7M 3K2.

APPOINTMENT OF PROXYHOLDERS

The persons named in the accompanying Proxy as proxyholders are management's representatives. A shareholder of the Corporation wishing to appoint some other person or company (that need not be a shareholder of the Corporation) to represent him, her or it at the Meeting may do so either by striking out the printed names and inserting the desired person or company's name in the blank space provided in the Proxy or by completing another proper Proxy and, in either case, depositing the completed Proxy with Pacific Corporate Trust Company, 510 Burrard Street, 2nd Floor, Vancouver, British Columbia V6C 3B9, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment(s) thereof. The Chairman of the Meeting has the discretion to accept proxies received after that time.

VOTING OF PROXIES

If the Proxy is completed, signed and delivered to the Corporation, the person(s) named as proxyholders therein shall vote or withhold from voting the shares in respect of which they are appointed as proxyholders at the Meeting in accordance with the instructions of the shareholder of the Corporation appointing them, on any show of hands and/or on any ballot that may be called for, and if the shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the person(s) appointed as proxyholders shall vote accordingly. The Proxy confers discretionary authority upon the person(s) named therein with respect to all amendments, variations and other matters which may properly come before the Meeting or any adjournment(s) thereof. As of the date of this Proxy Circular, the Board knows of no such amendments, variations or other matters to come before the Meeting, other than matters referred to in the Notice of Meeting. However, if other matters should properly come before the Meeting, the Proxy will be voted on such matters in accordance with the best judgment of the person(s) voting the Proxy.

If no choice is specified by a shareholder of the Corporation with respect to any matter identified in the Proxy or any amendment or variation to such matter, it is intended that the persons designated by management in the Proxy will vote the shares represented thereby in favour of such matter.

NON-REGISTERED HOLDERS

Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Corporation are "non-registered shareholders" because the shares they own are not registered in their name but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased their shares. More particularly, a person is not a registered shareholder in respect of shares which are held on behalf of that person (the "Non-Registered Holder") but which are registered either: (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a depository (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of applicable securities laws, the Corporation has distributed copies of the Notice of Meeting, this Proxy Circular, the Proxy and a financial statement request form (collectively, the "Meeting Materials") to the depositories and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a Proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already signed the Proxy, this Proxy is not required to be signed by the Non-Registered Holder when submitting the Proxy. In this case, the Non-Registered Holder who wishes to submit the Proxy should otherwise properly complete the Proxy and deliver it to the offices of the Corporation; or
- (b) more typically, be given a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a proxy authorization form) which the Intermediary must follow.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the management proxyholders and insert the Non-Registered Holder's name in the blank space provided, or in the case of a proxy authorization form, follow the corresponding instructions on the form. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the Proxy or proxy authorization form is to be delivered.**

REVOCABILITY OF PROXY

Any shareholder of the Corporation returning the enclosed Proxy may revoke the same at any time insofar as it has not been exercised. In addition to revocation in any other manner permitted by law, a Proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment(s) thereof, or with the Chairperson of the Meeting prior to the commencement of the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation's authorized capital consists of an unlimited number of common shares without par value and an unlimited number of Class B preferred shares with a par value of \$1,000 with the preferences, rights, conditions, restrictions, limitations and prohibitions set forth in the articles of the Corporation. As at March 25, 2008, there were a total of 10,203,500 common shares of the Corporation outstanding. Each common share entitles the holder thereof to one vote.

The following table lists, to the knowledge of the directors and executive officers of the Corporation, those persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation as at the date hereof:

Name	Number of Common Shares	Percentage of Common Shares
Chadwick Wasilenkoff ⁽¹⁾	2,334,700 ⁽²⁾	22.9%

(1) Mr. Wasilenkoff owns 422,675 options to purchase common shares of the Corporation on a one-for-one basis.

(2) Pursuant to a voluntary lock-up agreement among the Corporation, Mr. Wasilenkoff and the underwriters to the Corporation's initial public offering ("IPO"), Mr. Wasilenkoff agreed not to directly or indirectly offer, sell or dispose of any common shares or options to purchase any common shares for a period of two years from the closing date of the IPO, provided that he is permitted to sell up to 25% of his common shares or options to purchase common shares after one year from the closing date of the IPO, subject to certain exceptions.

ELECTION OF DIRECTORS

The Board is recommending five persons (the "**Nominees**") for election at the Meeting. Each of the five persons whose name appears below is proposed by the Board to be nominated for election as a director of the Company to serve until the next annual general meeting of the shareholders or until the director sooner ceases to hold office.

While management does not contemplate that the Nominees will be unable to serve as directors, if prior to the Meeting any vacancy occurs in the slate of such Nominees for any reason, the management representatives designated in the Proxy solicited in respect of the Meeting shall have discretionary authority to vote for the election of any other person as director. Proxies received by the directors on which no designation is made will be voted for the management Nominees for election as directors or any substitute nominee(s) thereof as may be determined by management, if necessary.

The following table (and notes thereto) states the names of the Nominees, all offices of the Corporation now held by him, his present principal occupation, the period of time for which he has been a director of the Corporation and the number of common shares of the Corporation beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at the date hereof.

Name, Province or State and Country of Residence	Present Principal Occupation	Current Position(s) with the Corporation	Director Since	Number of Common Shares Owned
Chadwick Wasilenkoff British Columbia, Canada	Chief Executive Officer of the Corporation.	Chairman, Chief Executive Officer, President and Director	August 1, 2006	2,334,700
Jimmy S.H. Lee ⁽¹⁾⁽²⁾ Dubai City, Dubai	Chairman, Chief Executive Officer and President of Mercer International Inc.	Director	August 1, 2006	Nil
Per Gundersby ⁽³⁾ Helsinki, Finland	Business consultant.	Director	October 14, 2006	Nil
Armin Martens ⁽¹⁾⁽³⁾ Manitoba, Canada	Chief Executive Officer, President and a trustee of Artis Real Estate Investment Trust.	Director	February 23, 2007	20,000
Richard O.C. Whittall ⁽¹⁾⁽³⁾ British Columbia, Canada	President of Watershed Capital Partners Inc.	Director	April 23, 2007	Nil

⁽¹⁾ A member of the Corporation's Compensation and Corporate Governance Committee.

⁽²⁾ Mr. Lee is the Chairman, Chief Executive Officer, President and a director of Mercer International Inc. ("**Mercer**"), which holds a senior secured convertible note (the "**Convertible Note**") of the Corporation in the principal amount of \$7.5 million.

⁽³⁾ A member of the Corporation's Audit Committee.

STATEMENT OF EXECUTIVE COMPENSATION

Pursuant to applicable securities legislation, the Corporation is required to provide a summary of all annual and long-term compensation for services in all capacities to the Corporation and its subsidiaries for the three most recently completed financial years in respect of the individuals comprised of the Chief Executive Officer, the Chief Financial Officer and the other three most highly compensated executive officers of the Corporation whose individual total compensation for the most recently completed financial year exceeds \$150,000, and any individual who would have satisfied these criteria but for the fact that the individual was not serving as an officer at the end of the most recently completed financial year (the "**Named Executive Officers**").

The Corporation was incorporated in May 2006, and became a reporting issuer in June 2007. As a result, pursuant to applicable securities legislation, the Corporation is required to provide executive compensation disclosure with respect to its most recently completed financial year end. The following table (and notes thereto) states the name of each Named Executive Officer, his annual compensation, consisting of salary, bonus and other annual compensation, and long term compensation, including stock options granted, for the most recently completed financial year of the Corporation.

Summary Compensation Table

Name and Principal Position	Year Ended December 31,	Annual Compensation			Long Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards	Payouts		
					Securities Under Options Granted (#)	Shares Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
Chadwick Wasilenkoff Chief Executive Officer and President	2007	\$370,000	\$296,000	Nil	422,675	Nil	N/A	Nil
Erich Sulser ⁽¹⁾ Chief Financial Officer	2007	\$144,925	\$ 53,676	\$83,735	Nil	Nil	N/A	Nil
Alfonso Ciotola ⁽²⁾ Chief Operating Officer	2007	\$334,287	\$38,620	\$14,812	400,000	Nil	N/A	Nil
Kurt Loewen ⁽³⁾ Controller and Secretary	2007	\$84,000	\$12,000	Nil	60,000	Nil	N/A	Nil

⁽¹⁾ Mr. Sulser was appointed Chief Financial Officer of the Corporation on January 16, 2007 upon the resignation of Mr. Loewen.

⁽²⁾ Dr. Ciotola was appointed Chief Operating Officer of the Corporation on March 1, 2007.

⁽³⁾ Mr. Loewen resigned as Chief Financial Officer of the Corporation on January 16, 2007 and was appointed Controller of the Corporation on the same date. Mr. Loewen has been the Secretary of the Corporation since August 1, 2006.

Long Term Incentive Plan ("LTIP") Awards

The Corporation did not have a LTIP pursuant to which cash or non-cash compensation intended to serve as an incentive for performance (whereby performance is measured by reference to financial performance or the price of the Corporation's securities) was paid or distributed to the Named Executive Officers during the most recently completed financial year.

Option Grants During the Most Recently Completed Financial Year

Name	Securities Under Options Granted During Most Recently Completed Financial Year (#)	Percent of Total Options Granted to Employees in Financial Year	Exercise Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Chadwick Wasilenkoff	222,675	22.66%	\$8.00	\$8.00	June 28, 2017
	200,000	20.35%	\$8.00	\$7.50	October 31, 2017
Alfonso Ciotola	100,000	10.18%	\$8.00	\$8.00	June 28, 2017
	300,000	30.53%	\$8.00	\$7.50	October 31, 2017
Kurt Loewen	60,000	6.10%	\$8.00	\$8.00	June 28, 2017

There were 982,675 options granted during the most recently completed financial year that remain outstanding as at December 31, 2007.

Aggregated Option Exercises During the Most Recently Completed Financial Year

During the most recently completed financial year, the Named Executive Officers did not exercise any options under the Corporation's stock option plan in respect of the common shares of the Corporation. As at December 31, 2007, the value of in-the-money unexercised options held by the Named Executive Officers was nil.

Termination of Employment, Change in Responsibility and Employment Contracts

Chadwick Wasilenkoff

Mr. Wasilenkoff has entered into an employment agreement with the Corporation dated April 5, 2007, pursuant to which Mr. Wasilenkoff agreed to serve as the Chairman, Chief Executive Officer and President of the Corporation. The employment agreement is for an unlimited term unless earlier terminated by the Corporation providing 24 months' notice of its intention to terminate his employment. Pursuant to the employment agreement, Mr. Wasilenkoff will receive: (i) an annual base salary of \$370,000, subject to an annual review; (ii) an annual bonus; (iii) equity compensation pursuant to long term incentive programs, including the Corporation's stock option plan; and (iv) certain perquisites. If Mr. Wasilenkoff's employment is terminated without just cause or he resigns for good reason (as defined in the employment agreement), he will be entitled to a severance payment equal to two times the sum of his then base salary plus the higher of: (i) his current annual bonus and (ii) the highest variable pay and incentive bonus received during the three fiscal years ending prior to his termination. This amount is payable in substantially equal installments over a twelve-month period, unless: (i) a change of control (as defined in the employment agreement) occurs following such termination, in which case the unpaid portion of such severance amount is payable in full immediately following such change of control or (ii) if such termination occurs in contemplation of, at the time of, or within 18 months after a change of control, the severance amount is payable in a lump sum cash payment immediately following such termination. In addition, all unvested rights in any stock options and any other equity awards will vest in full and become immediately exercisable.

Dr. Alfonso Ciotola

Dr. Ciotola has entered into an employment agreement with Landqart AG ("**Landqart**") dated March 1, 2007, as amended, pursuant to which Dr. Ciotola agreed to serve as the Chief Executive Officer of Landqart, Managing Director of Dresden Papier (GmbH) and Chief Operating Officer of the Corporation for an indefinite term subject to termination by either party upon providing six months' notice. The agreement provides for an annual salary of €242,000, subject to an annual review. Dr. Ciotola is also entitled to receive an annual bonus of up to 10% of his annual salary based on both his and Landqart's performance.

Erich Sulser

Mr. Sulser has entered into an employment agreement with Landqart dated September 2, 2005, as amended on February 6, 2007, pursuant to which Mr. Sulser agreed to serve as the Chief Financial Officer of Landqart and the Corporation for an indefinite term, subject to termination by either party upon providing six months' notice. The employment agreement provides for an annual salary of CHF152,000 in 2007 and CHF164,000 thereafter. In addition, Mr. Sulser is also entitled to an annual bonus of up to a maximum of CHF65,000 based on Landqart's and Dresden's annual performance.

Composition of the Compensation and Corporate Governance Committee

The Corporation's Compensation and Corporate Governance Committee is responsible for the development, implementation and monitoring of the Corporation's compensation policy for executive officers and members of the Board. The Compensation and Corporate Governance Committee is comprised of three directors: Armin Martens, Jimmy S.H. Lee and Richard O'C. Whittall, all of whom are independent. Mr. Martens is the Chairman of the Compensation and Corporate Governance Committee.

Report on Executive Compensation by the Compensation and Corporate Governance Committee

The Corporation's compensation policy with respect to executive officers is designed to provide both short and long term rewards that are consistent with individual and corporate performance. The Compensation and Corporate Governance Committee's goal is to provide sufficient compensation opportunities for executive officers

in order to attract, retain and motivate the best possible management team. Compensation for executive officers, including the Chief Executive Officer, generally consists of:

- (i) a base salary;
- (ii) annual and special bonus incentives; and
- (iii) options granted on a discretionary basis under the Corporation's stock option plan.

As set out under "Termination of Employment, Change in Responsibility and Employment Contracts" above, the Chief Executive Officer and Chief Financial Officer of the Corporation each have a written employment agreement.

The Compensation and Corporate Governance Committee determines each executive officer's base salary with reference to relevant industry norms, experience, past performance and level of responsibility. The Compensation and Corporate Governance Committee reviews salary levels periodically and may make adjustments, if warranted, as a result of salary increase trends in the marketplace, competitive positioning and an increase in responsibilities assumed by an executive. Annual cash bonus incentives are based upon the Corporation's ability to meet certain financial targets and each executive's individual performance. The Compensation and Corporate Governance Committee sets performance objectives and target levels on an annual basis and assesses executives against these targets in determining their overall compensation. From time to time, the Board may declare an additional cash bonus in favour of one or more executive officers in circumstances where it is determined that the executive in question has made an exceptional contribution to the performance of the Corporation in a particular year.

The Compensation and Corporate Governance Committee also considers stock options to be an important component of executive compensation. The objective of making grants under the stock option plan is to encourage executive officers to acquire an ownership interest in the Corporation over a period of time, thus better aligning the interests of executive officers with the interests of shareholders. When determining possible future option grants, the Compensation and Corporate Governance Committee may consider past option grants.

Compensation for the Chief Executive Officer for the period ended December 31, 2007, is set out in an employment agreement as described above under "Termination of Employment, Change in Responsibility and Employment Contracts".

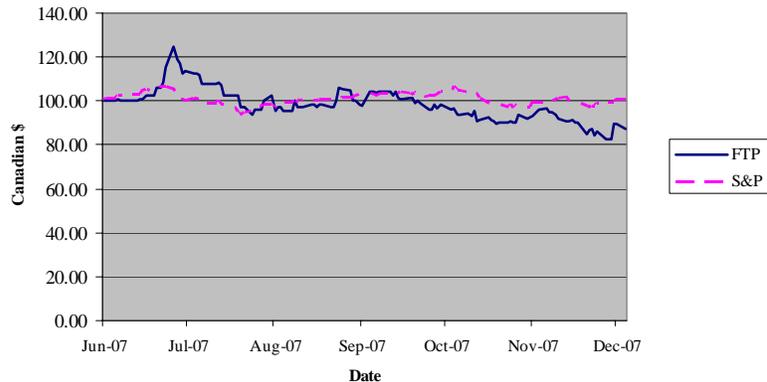
The foregoing report is submitted by:

Armin Martens
Jimmy S.H. Lee
Richard O'C. Whittall

Performance Graph

The Corporation's common shares commenced trading on the Toronto Stock Exchange (the "TSX") under the symbol "FTP" on June 28, 2007. The following graph compares the percentage change in the Corporation's cumulative total shareholder return on its common shares with the cumulative total return on the S&P/TSX Composite Index for the period from June 30, 2007 to December 31, 2007. The graph illustrates the cumulative return on a \$100 investment in the Corporation's common shares made on June 30, 2007 as compared with the cumulative return on a \$100 investment in the S&P\TSX Composite Index (assuming the reinvestment of dividends). The performance of the Corporation's common shares as set out in the graph below does not necessarily indicate future price performance.

**Cumulative Return on a \$100 Investment
June 30, 2007 to December 31, 2007**



	Jun. 30, 2007	Jul. 31, 2007	Aug. 31, 2007	Sept. 30, 2007	Oct. 31, 2007	Nov. 30, 2007	Dec. 31, 2007
Fortress Paper Ltd.	\$100.00	\$112.50	\$95.25	\$97.75	\$96.50	\$96.25	\$87.50
S&P/TSX Composite Index	\$100.00	\$101.12	\$99.60	\$102.79	\$106.63	\$99.81	\$100.86

Compensation of Directors

In March 2007, the Board approved a Directors' Compensation Policy and a Travel and Entertainment Policy. Under the Directors' Compensation Policy, inside directors are not paid any compensation. Outside directors are paid a quarterly retainer of US\$3,750. In addition, outside directors are paid US\$1,000 for each Board meeting attended. Outside directors are also to receive US\$1,000 for each committee meeting attended. Each committee Chairman also receives an additional US\$2,000 per year. Outside directors are also entitled to a grant of stock options concurrent with their appointment at each year's annual meeting. During the fiscal year ended December 31, 2007, Messrs. Lee, Gundersby, Whittall and Martens earned, respectively, US\$18,000, US\$20,000, US\$18,750 and US\$19,300, and Mr. Lee renounced and remitted his directors' fees to Mercer. Mr. Lee is the Chairman, Chief Executive Officer, President and a director of Mercer, which holds the Convertible Note.

Under the Travel and Entertainment Policy, both inside and outside directors are entitled to reimbursement of reasonable travel and other expenses incurred in the conduct of the Corporation's business.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plan Information

The Board has adopted a stock option plan (the "**Option Plan**") for the Corporation's directors, officers, employees, insiders and service providers. The Option Plan provides that options to purchase common shares may be granted to eligible persons on terms determined within the limitations set out in the Option Plan. The maximum number of common shares to be reserved for issuance at any one time under the Option Plan and any other employee incentive plan is ten percent of the issued and outstanding common shares of the Corporation. The exercise price for an option granted under the Option Plan may not be less than the market price of the shares immediately preceding the date of grant. Options granted may be subject to vesting requirements. Options will be granted for a period which may not exceed ten years from the date of grant but will expire within 90 days of a participant ceasing to be a director, officer, employee, insider or service provider of the Corporation, unless that participant ceases to be a director, officer, employee, insider or service provider of the Corporation for cause, in which case no option held by such participant shall be exercisable. The Option Plan is administered by the Corporation's Compensation and Corporate Governance Committee. The Option Plan is subject to the rules and policies of the TSX, including the requirement for shareholder approval every three years following institution.

The following table sets out information relating to the Corporation's Option Plan as at December 31, 2007.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	982,675	\$8.00	37,675

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at December 31, 2007, no individual who is or was a director, executive officer or employee of the Corporation or any of its subsidiaries, any proposed nominee for election as a director of the Corporation or any associate of such director or officer, is or was, at the end of the most recently completed financial year, indebted to the Corporation or any of its subsidiaries since the beginning of the most recently completed financial year of the Corporation, or is or has been indebted to another entity that is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries during that period.

MANAGEMENT CONTRACTS

To the best of the knowledge of the directors and officers of the Corporation, management functions of the Corporation are not, to any substantial degree, performed by a person other than the directors and senior officers of the Corporation.

AUDIT COMMITTEE

For information regarding the Corporation's Audit Committee, please refer to the Corporation's Annual Information Form ("AIF") for the year ended December 31, 2007 under the heading "Directors and Executive Officers – Audit Committee". The AIF is available on SEDAR at www.sedar.com.

CORPORATE GOVERNANCE

Board of Directors

The directors are responsible for managing and supervising the management of the business and affairs of the Corporation. Each year, the Board must review the relationship that each director has with the Corporation in order to satisfy itself that the relevant independence criteria have been met.

A majority of the Board is independent. Other than interests arising from shareholdings in the Corporation, Messrs. Lee, Gundersby, Martens and Whittall are independent directors within the meaning set out in National Instrument 52-110 – "Audit Committees" in that they are free from any interest which could reasonably interfere with their exercise of independent judgment as directors of the Corporation. Mr. Wasilenkoff is an employee and executive officer of the Corporation and therefore not independent.

In order to facilitate its exercise of independent judgment in carrying out its responsibilities, the Board may establish informal committees on an as needed basis consisting solely of independent directors to consider certain matters to be considered by the Board. The Board, or any committee, may also seek advice from outside advisors. The Board also follows a practice whereby any director who has an interest in a matter the Board is considering will either abstain from voting on the matter or exit the Board meeting.

The following directors of the Corporation hold directorships in other reporting issuers as set out in the table below:

Name of Director	Name of Other Reporting Issuer
Chadwick Wasilenkoff	Fortress Base Metals Corp. Fortress Petroleum Inc. Woodbridge Energy Ltd.
Jimmy S.H. Lee	Mercer International Inc. Quinsam Capital Corporation
Armin Martens	Artis Real Estate Investment Trust All in West! Capital Corporation
Richard O.C. Whittall	Canadian General Investment, Limited Canadian World Fund Limited Maximizer Software Inc. Burcon NutraScience Corporation SBI Skin Biology Incorporated Winwell Ventures Inc. GVIC Communications Corp. Aurea Mining Inc. Newstrike Capital Inc.

The independent directors do not hold regularly scheduled meetings at which the non-independent director and members of management are not in attendance. However, in order to facilitate open and candid discussion among independent directors, communication among the independent directors occurs on an informal and ongoing basis as such need arises.

The Board does not have a Chairman independent of management. Mr. Wasilenkoff, the Chairman of the Board, is also the Corporation's Chief Executive Officer and President. The Board believes that this structure best reflects the entrepreneurial leadership of the Corporation. The Board is satisfied that the autonomy of the Board and its ability to function independently of management are protected through measures such as the Audit Committee and the Compensation and Corporate Governance Committee being composed of all independent directors and each committee being chaired by an independent director. The Board also encourages its independent members to discuss matters separate from the non-independent Board member and to seek the advice of financial, legal or other consultants when necessary in order to provide leadership for its independent directors. In addition, Mr. Armin Martens, an independent director, has been designated by the Board as lead director. The lead director's primary role is to chair the periodic meetings of the independent directors.

The Corporation's common shares commenced trading on the TSX on June 28, 2007. For information concerning the period of time each director has been a director of the Corporation see "Election of Directors". The following table sets forth the number of Board and committee meetings held and attendance by directors for the most recently completed financial year.

Director	Board Meetings	Compensation and Corporate Governance Committee Meetings	Audit Committee Meetings
Chadwick Wasilenkoff	3/3	N/A	N/A
Jimmy S.H. Lee	3/3	1/1	N/A
Per Gundersby	3/3	N/A	2/2
Armin Martens ⁽¹⁾	3/3	1/1	1/2
Richard O.C. Whittall ⁽²⁾	3/3	1/1	2/2

⁽¹⁾ Mr. Martens is the Chairman of the Compensation and Corporate Governance Committee.

⁽²⁾ Mr. Whittall is the Chairman of the Audit Committee.

Subsequent to the year ended December 31, 2007, the Board met on one occasion and the Compensation and Corporate Governance Committee and the Audit Committee each met on one occasion, respectively. All members of the Board and the committees were in attendance at each of their respective meetings.

The Corporation's board mandate, which is reviewed on an annual basis, is attached hereto as Appendix "A".

Position Descriptions

Although the Board has not developed formal position descriptions for its Chairman, committee chairs or for the Chief Executive Officer, through periodic discussions among the Board members and meetings with the Board members and the Chief Executive Officer, they have acquired a good understanding of their respective roles. In addition, the Board sets goals for the Chief Executive Officer and the attainment of these goals is monitored by the Board.

Orientation and Continuing Education

The Corporation does not have a formal process of orientation and education for new members of the Board. The current directors are experienced in boardroom procedure and corporate governance and generally have a good understanding of the business. As necessary, new members of the Board are provided with information about the Corporation, the role of the Board, the Board's committees, the Board's directors and the Corporation's industry. In addition, the Corporation provides continuing education for its directors as such need arises.

Ethical Business Conduct

The Corporation adopted a Code of Business Conduct and Ethics (the "**Code**") in May 2007 setting out the principles that should guide the behavior of the Corporation's directors, officers and employees. The Code addresses issues such as the following:

- (a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;
- (b) protection and proper use of corporate assets and opportunities;
- (c) fair dealing with the Corporation's security holders, customers, suppliers, competitors and employees;
- (d) compliance with laws, rules and regulations; and
- (e) reporting of any illegal or unethical behavior.

The Board is responsible for monitoring compliance with the Code. One tool used for monitoring compliance is the Corporation's Whistleblower Policy. Any person can report complaints or concerns, which may be on an anonymous basis, through the procedures of the Whistleblower Policy. A copy of the Code is available on SEDAR at www.sedar.com.

There are potential conflicts of interest to which the Corporation's directors and officer may be subject in connection with the Corporation's operations. In particular, certain of the Corporation's directors and officers are involved in managerial or director positions with other companies whose operations may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, the Corporation's competitors. Jimmy S.H. Lee, a director of the Corporation, is the Chairman, Chief Executive Officer, President and a director of Mercer, which holds the Convertible Note.

To ensure directors of the Corporation exercise independent judgment in considering transactions, agreements or decisions in respect of which a director or executive officer has declared a material personal interest (in accordance with relevant corporate law requirements), the Board follows a practice whereby any such Board member must be absent during any Board discussion pertaining thereto and not cast a vote on any such matter. Significant contracts that may be deemed to be a conflict are also reviewed and approved by the Corporation's Audit Committee.

In addition, the Board must comply with conflict of interest provisions in Canadian corporate law and relevant securities regulatory instruments in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

Nomination of Directors

Although the Corporation does not have a nominating committee to propose new Board nominees, the Compensation and Corporate Governance Committee is responsible for advising the Board with respect to the filling of vacancies on the Board and making recommendations as to nominees for the Board and uses an informal consultative process.

The Compensation and Corporate Governance Committee analyzes the needs of the Board when vacancies arise and identifies and proposes new nominees who have the necessary competencies and characteristics to meet such needs. New candidates are introduced to the Board by members of the Compensation and Corporate Governance Committee.

In order to foster an objective nomination process, the independent members of the Board are encouraged to recommend nominees for the Board.

Compensation

The Compensation and Corporate Governance Committee is appointed by the Board to, among other things, discharge the Board's responsibilities relating to compensation of the Corporation's directors and officers. The Compensation and Corporate Governance Committee periodically reviews the adequacy and form of compensation to ensure it realistically reflects the responsibilities and risks involved in being an effective director or officer and that the compensation allows the Corporation to attract qualified candidates. Such review includes an examination of publicly available data as well as independent compensation surveys.

The Compensation and Corporate Governance Committee annually reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluates the Chief Executive Officer's performance in light of those goals and objectives and sets the Chief Executive Officer's compensation level based on this evaluation. The Compensation and Corporate Governance Committee meets without the presence of other executive officers when approving the Chief Executive Officer's compensation.

The Compensation and Corporate Governance Committee is composed entirely of independent directors. In order to ensure an objective process for determining compensation, the Compensation and Corporate Governance Committee reviews independent materials such as pay survey data and industry reports. In addition, the Compensation and Corporate Governance Committee benchmarks against other companies using peer group studies compiled for the Committee.

Assessments

The Board is responsible for keeping management informed of its evaluation of the performance of the Corporation and its senior officers in achieving and carrying out the Board's established goals and policies, and is also responsible for advising management of any remedial action or changes which it may consider necessary. Additionally, directors are expected to devote the time and attention to the Corporation's business and affairs as necessary to discharge their duties as directors effectively.

The Board does not have a formal process to monitor the effectiveness of the Board, its committees and individual members, but rather relies on an informal review process. In order to gauge performance, the Board considers the following:

- (a) input from directors, where appropriate;

- (b) attendance of directors at meetings of the Board and any committee;
- (c) the charter of each committee; and
- (d) the competencies and skills each individual director is expected to bring to the Board and each committee.

APPOINTMENT OF AUDITORS

Management of the Corporation will recommend at the Meeting that shareholders appoint PricewaterhouseCoopers LLP, Chartered Accountants as auditors of the Corporation until the next annual meeting of shareholders and to authorize the directors to fix their remuneration. PricewaterhouseCoopers LLP were first appointed as auditors of the Corporation by the Board on October 24, 2006.

OTHER BUSINESS

Management of the Corporation knows of no other matters to come before the Meeting other than as referred to in the Notice of Meeting. However, if any other matter(s) which are not known to management of the Corporation shall properly come before the Meeting or any adjournment(s) thereof, the Proxy given pursuant to the solicitation by management of the Corporation will be voted on such matter(s) in accordance with the best judgment of the person(s) voting the Proxy.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as otherwise disclosed herein, no director or officer of the Corporation, or any associate or affiliate of such director or officer, has any material interest, direct or indirect, by way of beneficial ownership of common shares of the Corporation or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors or the appointment of auditors of the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No insider of the Corporation, nor the proposed nominees for election as directors of the Corporation, nor any associate or affiliate of such insider or proposed nominees, has any material interest, direct or indirect, in any transaction since the beginning of the last financial year of the Corporation, or in any proposed transaction which has materially affected or will materially affect the Corporation or any of its subsidiaries.

The Corporation has entered into an agreement with TKC Office and Management Services Ltd. ("**TKC**") dated March 19, 2007 (the "**Office Agreement**"), wherein TKC has agreed to provide the Corporation with packaged office services effective January 1, 2007 for a term of three years at a monthly rate of \$7,500 per month, which includes rent, office furniture and equipment and utilities. The Office Agreement may be terminated by either party upon 30 days' written notice to the other party. The Office Agreement replaces an informal office services arrangement between the Corporation and TKC which was in effect from August 1, 2006 to December 31, 2006 on substantially identical terms. Mr. Wasilenkoff is an officer, director and sole shareholder of TKC.

In connection with Dr. Alfonso Ciotola's appointment as Chief Operating Officer of the Corporation on March 1, 2007, Dr. Ciotola terminated his sales agency agreement with Landqart dated May 30, 2003. On April 2, 2007, Landqart entered into a sales agency agreement with Carta Plus f.z.e., a corporation organized under the laws of the United Arab Emirates of which a relative of Dr. Ciotola is an officer, director and shareholder. The terms of the sales agency agreement were reviewed and approved by the board of directors of Landqart and are consistent with Landqart's other sales arrangements. All future dealings by Landqart relating to Carta Plus f.z.e. will be reviewed and approved by the board of directors of Landqart and will not involve the participation of Dr. Ciotola.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent of the Corporation is Pacific Corporate Trust Company, 510 Burrard Street, 2nd Floor, Vancouver, British Columbia V6C 3B9.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Shareholders may contact the Corporation to request copies of the Corporation's financial statements and management's discussion and analysis by sending a written request to 2nd Floor, 157 Chadwick Court, North Vancouver, British Columbia, Canada V7M 3K2, Attention: Secretary. Financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for its fiscal year ended December 31, 2007, which are also available on SEDAR.

APPROVAL OF PROXY CIRCULAR

The undersigned hereby certifies that the contents and the sending of this Proxy Circular have been approved by the directors of the Corporation.

DATED at Vancouver, British Columbia, Canada, this 25th day of March, 2008.

**BY ORDER OF THE BOARD OF DIRECTORS OF
FORTRESS PAPER LTD.**

/s/ Chadwick Wasilenkoff

Chadwick Wasilenkoff

Chairman, Chief Executive Officer, President and Director

APPENDIX A

FORTRESS PAPER LTD.

BOARD OF DIRECTORS' MANDATE

1. PURPOSE

- 1.1 The Board of Directors (the "Board") of Fortress Paper Ltd. (the "Company") wishes to formalize the guidelines pursuant to which the Board governs the business of the Company. The guidelines are intended to be flexible and are intended to provide parameters and direction to the Board in conjunction with its obligations and mandate to oversee and direct the affairs of the Company.
- 1.2 The Board is responsible for the overall stewardship of the Company and for managing and supervising the management of the Company. The Board does not conduct day-to-day management of the Company; that is the responsibility of the Officers. The Board shall at all times act in the best interests of the Company.

2. RESPONSIBILITIES

- 2.1 In discharging its responsibility, among other things, the Board should:
- (i) require management to develop and maintain a strategic planning process which takes into account, among other things, the opportunities and risks of the Company's business and to bring its strategic and operating plans to the Board for review and approval on an annual basis or such other basis as may be required by the Board;
 - (ii) approve all capital plans and establish priorities in the allocation of funds for major capital projects on an annual basis or such other basis as may be required by the Board;
 - (iii) identify the principal risks of the Company's business and require management to implement appropriate procedures and systems to manage such risks;
 - (iv) plan for senior management succession, including the appointment of and monitoring of senior management's performance;
 - (v) require senior management to develop and maintain a strategy to communicate effectively with its security holders, investment analysts and the public generally and to accommodate and address feedback from security holders;
 - (vi) require management to maintain internal control and management information systems and, through Board committees or otherwise, to monitor these systems as it considers fit;
 - (vii) require senior management to implement systems to ensure the Company operates within applicable laws and regulations;
 - (viii) review actual results achieved by the Company against the objectives contained in the Company's plans and implement or cause to be implemented corrective action where indicated;
 - (ix) arrange for the operating results of the Company to be presented by management to the Board on a regular basis;
 - (x) require that the Board be kept reasonably informed of the Company's activities and performance and take appropriate action to correct inadequate performance;

- (xi) authorize the issuance of equity and debt securities of the Company;
- (xii) approve all public disclosure by the Company including press releases, financial results, management's discussion and analysis, material change reports, registration statements, prospectuses and other public continuous disclosure documents, other than: (a) press releases and public disclosure in the ordinary course of the Company's operations which do not include any earnings announcements, which may be approved by the Company's Chief Executive Officer, President and Chief Financial Officer, in consultation with the Company's legal counsel; and (b) press releases resulting from emergency or urgent situations which may be approved by the Company's Chief Executive Officer, President and Chief Financial Officer, in consultation with the Company's legal counsel;
- (xiii) review and consider all reports and recommendations of the Compensation and Corporate Governance Committee and approve all compensation of Officers (including the Chief Executive Officer) and Directors;
- (xiv) require that proper procedures are established for the protection of shareholder value;
- (xv) ensure policies and procedures are in place to ensure the Company's compliance with applicable law, including timely disclosure of relevant corporate information and regulatory reporting; and
- (xvii) to the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer and other executive officers and that the Chief Executive Officer and other executive officers create a culture of integrity throughout the Company.

2.2 The Board will give direction and guidance to management and will also keep management informed of its evaluation of the performance of the Company and of its senior Officers in achieving and carrying out the Board's established goals and policies, and in advising management of any remedial action or changes which it may consider to be necessary.

3. ORGANIZATION OF THE BOARD

- 3.1 The composition of the Board shall comply with applicable corporate and securities laws.
- 3.2 Each year the Board shall review the relationship that each member of the Board has with the Company in order to satisfy itself that the relevant independence criteria have been met.
- 3.3 The Board members are expected to devote the time and attention to the Company's business and affairs necessary to discharge their duties as members of the Board effectively, which includes, but is not limited to, attendance at Board meetings and the review of any materials prepared in connection with such meetings. Subject to this requirement, the Board members shall not be subject to any restrictions with respect to their activities outside of their relationship with the Company, including their services as directors of other corporations or charitable organizations so long as such is in accordance with all of the Company's other policies and charters.
- 3.4 The Board may:
 - (i) appoint one or more committees of the Board, however designated, and delegate to any such committee any of the powers of the Board except those which pertain to items which, under the *Business Corporations Act* (British Columbia) (the "Act"), a committee of the Board has no authority to exercise;
 - (ii) appoint a Chairperson of the Board and prescribe his or her powers and duties;

- (iii) appoint a Lead Director of the Board and prescribe his or her powers and duties;
- (iv) appoint a Chief Executive Officer and prescribe his or her powers and duties;
- (v) appoint a President and prescribe his or her powers and duties; and
- (vi) in conjunction with the Chief Executive Officer, appoint the Officers of the Company and prescribe their powers and duties.

3.5 The Board may appoint a day or days in any month or months for regular meetings of the Board at a place and hour to be named. A copy of any resolution of the Board fixing the place and time of such regular meetings shall be sent to each member of the Board forthwith after being passed, but no other notice shall be required for any such regular meetings except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

3.6 In the event of a change of the status or credentials underlying a Board member's appointment to the Board, the member so affected should, on his or her own initiative, discuss the change with the Chairperson so that there is an opportunity for the Board to review the continued appropriateness of Board membership under his or her new circumstances. Each case will be dealt with on its own merits, but as a rule, a member of the Board is expected to tender his or her resignation if there is a change in his or her credentials and circumstances.

3.7 Unless specified otherwise, the following procedural rules apply to committees of the Board:

- (i) The Board may appoint one or more committees of the Board, however designated, and delegate to any such committee any of the powers of the Board except those which pertain to items which, under the Act, a committee of the Board has no authority to exercise;
- (ii) The powers of a committee of the Board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of any such committee may be held at any place in or outside Canada;
- (iii) The Board may from time to time appoint such advisory bodies as it may deem advisable; and
- (iv) Each committee and advisory body shall have the power to fix its quorum at not less than a majority of its members, to elect its Chairman, and to regulate its procedure.

3.8 The Board currently consists of five directors. The Board shall have a minimum of three (3) and a maximum of twenty (20) directors, the number of directors within that range to be fixed by resolution of the Board from time to time. The size of the Board should enable its members to effectively and responsibly discharge their responsibilities to the Company.

3.9 Except as set out in the Articles of the Company, Board members shall be elected at the annual meeting of shareholders of the Company each year and shall serve until their successors are duly elected.

4. RESOURCES, MEETING AND REPORTS

The Board shall have adequate resources to discharge its responsibilities. The Chairperson shall be empowered to engage advisors as may be appropriate from time to time to advise the Chairperson on the Board with respect to duties and responsibilities.

The Board shall meet not less than four times per year.

The meetings of the Board shall ordinarily include the Chief Executive Officer (if not a Director) and shall periodically include other senior officers as may be appropriate and as may be desirable to enable the Board to become familiar with the Company's management team and affairs.

The Chairperson shall act as, or appoint a Secretary, who shall keep minutes of its meetings in which shall be recorded all actions taken by the Board. Such minutes shall be made available to the Directors and shall be approved by the Board for entry in the records of the Company.

Each Director is expected to be diligent in preparing for and attending meetings of the Board and any Committee of which he or she is a member. A Director who is unable to attend a Board or Committee meeting may participate by teleconference.

Members of the Board shall have the right, for the purposes of discharging their respective powers and responsibilities, to inspect the relevant records of the Company and its subsidiaries.

Members of the Board, subject to approval of the Chair to the Governance and Compensation Committee, may retain separate counsel to deal with issues relating to their responsibilities as members of the Board.