FORTRESS GLOBAL ENTERPRISES INC.

ANNUAL INFORMATION FORM

For the year ended December 31, 2017

Dated March 28, 2018

TABLE OF CONTENTS

INTRODUCTION

All dollar amounts in this annual information form (the "Annual Information Form") are in Canadian dollars, except where otherwise indicated. The reporting currency of Fortress Global Enterprises Inc. is the Canadian dollar. Our mill is considered an integrated operation, therefore foreign currencies are translated into Canadian dollars using average rates for the period for items included in the consolidated statements of operations, the rate in effect at the balance sheet date for monetary assets and liabilities and historical rates for other assets included in the consolidated balance sheet. Translation gains or losses are included in the determination of income. Some figures and percentages may not total exactly due to rounding. Unless otherwise indicated, the information in this Annual Information Form is given as of December 31, 2017.

Certain information contained in this Annual Information Form concerning the industries in which we operate has been obtained from publicly available information from third party sources. We have not verified the accuracy or completeness of any information contained in such publicly available information. In addition, we have not determined if there has been any omission by any such third party to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any such information became publicly available or which may affect the significance or accuracy of any information contained in any such information and summarized herein.

Certain statements contained in this Annual Information Form constitute forward-looking information. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking information. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. We believe the expectations reflected in forward-looking information are based on reasonable assumptions, but no assurance can be given that these expectations will prove to be correct and the forward-looking information included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form.

In particular, this Annual Information Form may contain forward-looking information pertaining to the following: growth and future prospects of our business; market conditions for dissolving pulp, viscose staple fibre, and other products; benefits that may accrue to the Company as a result of certain acquisitions, dispositions, capital expenditure programs, equipment upgrades and maintenance shutdowns; the anticipated timing and budget for the completion of our xylitol demonstration plant; expected operational performance figures, including costs, utilization rates and efficiencies; expected returns on certain business segments; possible elimination of the anti-dumping duties; availability of funds for debt allocation; our perceptions of the industry and markets in which we operate and anticipated trends in such markets and in the countries in which we do business; the securement of new purchase orders for our products; the anticipated benefits for programs and initiatives.

Forward-looking information reflects our current views with respect to expectations, beliefs, assumptions, estimates and forecasts about our business and the industry and markets in which we operate. Statements constituting forward-looking information are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Assumptions underlying our expectations regarding forward-looking information contained in this Annual Information Form include, among others: that we will be able to effectively market our products; our ability to realize significant cost-savings from production improvements and cost reduction initiatives; that demand for viscose staple fibre will continue to grow which will result in an increased demand for dissolving pulp; that we will achieve the successful completion of the xylitol demonstration plant and thereafter construct a full-scale production plant; that the Cogeneration Facility will continue operating on a consistent and regular basis; the general stability of the economic, political and regulatory environments within the countries where we conduct operations; that we will be able to enter into enforceable supply agreements for dissolving pulp on favourable terms and diversify our customer base; our ability to obtain financing (if necessary) on acceptable terms; that interest and foreign exchange rates will not vary materially from current levels; and that our equipment will operate at expected levels. The foregoing list of assumptions is not exhaustive.

Our actual results could differ materially from those anticipated in forward-looking information as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- markets for dissolving pulp;
- effects of increased indebtedness;

- trade restrictions and export tariffs;
- fluctuations in the price of raw materials and supply risk;
- unforeseen delays and costs in operating the Fortress Specialty Mill;
- additional funding requirements and availability of capital on acceptable terms;
- xylitol project risks;
- taxation matters;
- supply risks as a result of having to prepay suppliers;
- risks related to our potential failure to enhance operating performance;
- reliance on key personnel;
- fluctuations in foreign exchange or interest rates;
- acquisition risk;
- dependence on major customers;
- forest and timber tenures;
- volatility of market price of our listed securities;
- ability to stay competitive;
- fluctuations in the market for products sold;
- risks relating to future investments;
- labour relations;
- the ability to efficiently and effectively manage growth;
- environmental, health and safety and regulatory risks;
- potential disruptions to production and delivery;
- uninsurable or uninsured losses;
- information systems security threats;
- general economic, market and business conditions;
- damage to reputation;
- protection of intellectual property;
- ability to seek recourse under acquisition agreements;
- dilution of the value of our common shares;

- absence of cash dividends paid out by the Company to its shareholders;
- the potential for conflicts of interest in the negotiation and conclusion of our material agreements; and
- any other factors discussed under "Risk Factors" in this Annual Information Form.

The risk factors referenced herein should not be construed as exhaustive. Except as required under applicable securities laws, we undertake no obligation to update or revise any forward-looking information.

The following tables set forth, for each period indicated, information concerning the exchange rates between United States dollars (USD) and Canadian dollars ($) based on the Bank of Canada nominal noon exchange rates. The table below illustrates the portion or multiples of a $ it would take to buy one USD.

Fiscal Year Ended		**$ per USD**		
December 31,	**Average[1]**	**Low**	**High**	**Period End**
2017	1.2986	1.2128	1.3743	1.2545
2016	1.3248	1.2544	1.4589	1.3427
2015	1.2787	1.1728	1.3990	1.3840

(1) The average of the daily nominal exchange rates during the year.

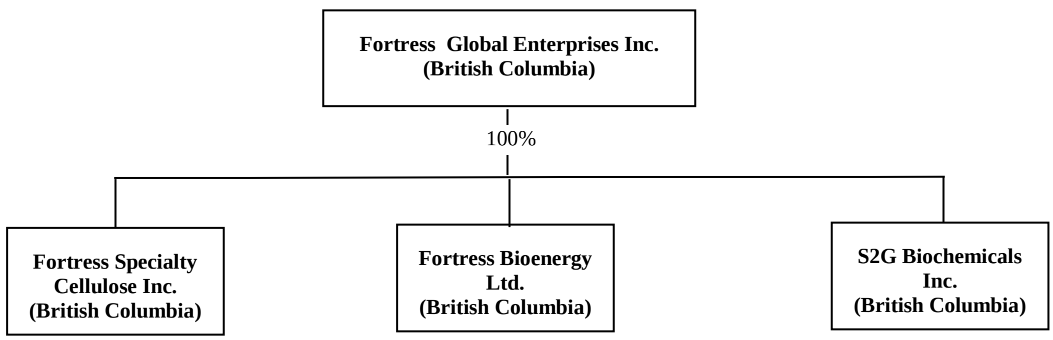
CORPORATE STRUCTURE

General

The full corporate name of our Company is Fortress Global Enterprises Inc. Our head office is located at 2nd Floor – 157 Chadwick Court, North Vancouver, British Columbia and our registered and records office is located at 1000, 925 West Georgia Street, Vancouver, British Columbia.

We were incorporated under the *Business Corporations Act* (British Columbia) (the "BCA") on May 30, 2006. On June 20, 2007, we consolidated our issued and outstanding capital on a 2:1 basis prior to being listed on the Toronto Stock Exchange (the "TSX"). On January 29, 2018, we amended our Notice of Articles to change our name from "Fortress Paper Ltd." to "Fortress Global Enterprises Inc." to better reflect our existing business and future prospects. See "Recent Developments – Name and Symbol Change".

Our material subsidiaries and their respective jurisdictions of organization are set out in the diagram below.



In this document:

- the consolidated operations of Fortress Global Enterprises Inc. and its subsidiaries will be referred to collectively as "we", "our", "us", the "Company" or "Fortress", unless otherwise specifically noted or the context requires otherwise;
- "Cogeneration Facility" means the cogeneration plant owned by Fortress Bioenergy located in Thurso, Québec, Canada;
- Fortress Bioenergy Ltd. will be referred to as "Fortress Bioenergy";
- Fortress Specialty Cellulose Inc. will be referred to as "Fortress Specialty";
- "Fortress Specialty Mill" means the dissolving pulp manufacturing facility owned by Fortress Specialty located in Thurso, Québec, Canada; and
- S2G Biochemicals Inc. will be referred to as "S2G".

GENERAL DEVELOPMENT OF THE BUSINESS

We currently operate in the dissolving pulp business at our Fortress Specialty Mill and in the renewable energy generation sector at our Cogeneration Facility.

On March 23, 2018, we completed the acquisition of S2G (see "Recent Developments – Acquisition of S2G and New Xylitol Project"). With the acquisition of S2G, we plan on expanding our business into advanced bioproducts, specifically xylitol production, at the Fortress Specialty Mill.

We previously operated in the security paper products business through our Landqart mill located in Switzerland where we produced banknote, passport, visa and other brand protection and security papers. On December 20, 2017 we completed the sale of Landqart AG and Landqart Management and Services AG (collectively, "Landqart"), and no longer operate in the security paper products business. See "Developments Over the Financial Years Ended December 31, 2015 to 2017 – Sale of Landqart".

Developments During the Financial Years Ended December 31, 2015 to 2017

Normal Course Issuer Bid - Debentures

In January 2016, Fortress announced that the TSX accepted our notice of intention to proceed with a Normal Course Issuer Bid (the "Debenture NCIB") for our outstanding 6.5% convertible unsecured subordinated debentures (the "2011 Debentures") and our outstanding 7.0% convertible unsecured subordinated debentures (the "2012 Debentures"). Pursuant to the NCIB, we were permitted to make purchases, from time to time, of up to a maximum of $4,025,000 in principal amount of the 2011 Debentures and $6,900,000 in principal amount of the 2012 Debentures. The Debenture NCIB terminated on December 30, 2016 for the 2011 Debentures and on January 5, 2017 for the 2012 Debentures.

In August 2016, we announced that we had purchased for cancellation an aggregate $4.0 million principal amount of our 2011 Debentures, which represented the maximum amount permitted to be purchased pursuant to the Debenture NCIB, at an average cost of $97.10 per $100, 2011 Debentures. We also purchased for cancellation an aggregate $6.9 million principal amount of our 2012 Debentures, which represented the maximum amount permitted to be purchased pursuant to the Debenture NCIB, at an average cost of $76.00 per $100, 2012 Debenture. Following completion of such purchases and cancellations, $62.1 million principal amount of 2012 Debentures remained outstanding at December 31, 2016.

The remaining 2011 Debentures in the aggregate principal amount of $36.2 million matured on December 31, 2016 and were retired.

Sale and Leaseback Transaction at Landqart Mill

In July 2016, Fortress announced that its then wholly-owned subsidiary, Landqart, had completed the sale of its lands and buildings related to its security paper business located in Landquart, Switzerland, for the aggregate purchase price of CHF 44.5 million (approximately $59 million), subject to customary conveyancing adjustments. The transaction provided a financing opportunity to enhance liquidity and financial flexibility.

Sale of Fortress Global Cellulose Mill Assets

In July 2016, Fortress announced that it had completed, through its wholly-owned subsidiaries, Fortress Global Cellulose Ltd. and Fortress Lumber Corporation, the sale of the buildings, equipment and other ancillary property, as well as the energy generation, connection and transmission plant and related equipment relating to the Fortress Global Cellulose mill located in Lebel-sur-Quévillon, Québec, for an aggregate purchase price of $15.4 million. The purchase price was comprised of: (i) a $7.0 million secured note; (ii) the assumption by the purchaser of up to $7.5 million of the liabilities under an environmental trust agreement; and (iii) certain other liabilities totaling approximately $0.9 million. The sale of the Fortress Global Cellulose mill represented a divestiture of a non-core asset which released the Company from a number of future obligations.

Concurrent with the sale, Fortress assigned and transferred the $7.0 million note to Investissement Québec ("IQ") as early repayment of principal amounts due in 2017 in respect of its outstanding loan with IQ (the "IQ Loan"). In addition, IQ agreed to defer interest on the IQ Loan until April 1, 2018 and to further defer an aggregate of $6.3 million of quarterly principal payments otherwise payable on September 30, 2017, December 31, 2017 and March 31, 2018, without penalty or interest accruing on such amounts, until the one year anniversary of each such principal payment due date (the "Initial Deferrals"). In connection with the IAM Loan, as defined below (see "– IAM Credit Agreement") Fortress agreed to increase the interest payable on $40.0 million principal amount of the IQ Loan to 6% per annum and pay interest on this portion of the IQ Loan commencing February 2017. All principal payments to IQ will be applied firstly to the higher interest bearing principal amount outstanding.

Normal Course Issuer Bid – Common Shares

In August 2016, Fortress announced that the TSX had accepted our notice of intention to make a normal course issuer bid (the "Share NCIB") for our common shares through facilities of the TSX and alternative Canadian trading platforms. Beginning on September 6, 2016, we were permitted to make purchases under the Share NCIB, from time to time, up to a to a maximum of 1,065,289 of our outstanding common shares. The Share NCIB terminated on September 5, 2017. Fortress repurchased and cancelled 759,768 common shares for $3.65 million through the Share NCIB.

Announcement of Investment in Birch Project and Hemicellulose Project at the Dissolving Pulp Mill

In November 2016, Fortress announced a major investment to advance our strategic project of utilizing birch to manufacture dissolving pulp at the Fortress Specialty Mill. Also in November 2016, we announced a strategic supplement to the birch usage project at the Fortress Specialty Mill aimed at extracting hemicellulose from underutilized species such as birch. These projects will allow us to advance our research and development in hemicellulose derivative products. We anticipate that our development in hemicellulose products will provide us with an opportunity to enter the growing renewable raw materials market. The Government of Canada shall assist in funding the projects through a non-repayable contribution of $10.5 million. The Ministry of Forests, Wildlife, and Parks of Québec has also agreed to assist with funding the projects, through a $2.5 million non-repayable contribution from the budgetary measure for innovation announced in the 2016-2017 Québec budget to support the forestry industry. As well, the Low Quality Hardwood Consumption Program has committed to provide an additional $1.0 million non-repayable contribution to assist with funding the projects. The remainder of the total cost is expected to be financed by Fortress with cash on hand, operating cash-flow and other investment incentive programs, such as the Hydro Quebec "Rate L" tariff.

The birch component of these projects was completed on time and on budget in March 2018 with the construction and commissioning of the fifth digester, which is expected to result in an incremental annual production capacity increase at the Fortress Specialty Mill of 8,500 air dried metric tonnes ("ADMT") in 2018 and 17,000 ADMT in 2019 compared to current production capacity. The hemicellulose project is ongoing and is being integrated to coincide with the xylitol project. See "Recent Developments – Acquisition of S2G and New Xylitol Project".

Shareholder Rights Plan

On January 16, 2017, Fortress announced that it had adopted a shareholder rights plan (the "Rights Plan"). The Rights Plan was ratified by the shareholders of the Company at the annual general and special meeting of shareholders held on May 23, 2017. The Rights Plan has an initial term of three years.

IAM Credit Agreement

In January 2017, Fortress announced that its wholly owned subsidiary, Fortress Bioenergy, entered into a credit agreement with IAM Infrastructure Private Debt Fund LP for a $40.0 million secured loan (the "IAM Loan"), which matures 14 years from the date of advance and is repayable in monthly payments of principal and interest over the term. The IAM Loan will accrue interest at a rate of 6.0% per annum plus an account maintenance fee of 0.5% per annum. The IAM Loan is secured against all of the assets of Fortress Bioenergy, which include our cogeneration assets, and is guaranteed by Fortress and Fortress Specialty.

IQ, on behalf of the Government of Québec, agreed to subordinate its security right in relation to the IQ Loan in favour of the IAM Loan. In consideration for the subordination, Fortress agreed with IQ to match the interest rate payable on $40.0 million principal amount of the outstanding IQ Loan to that payable pursuant to the IAM Loan. All principal payments on the IQ Loan made by Fortress will be applied firstly to this higher interest bearing principal amount outstanding.

Early Repayment of Outstanding Debenture

In February 2017, Fortress announced that it had repaid in full the unsecured convertible debenture (the "FSTQ Debenture") in the aggregate principal amount of $25.0 million issued by Fortress in favour of Fonds de solidarité FTQ ("FSTQ"). The FSTQ Debenture had an interest rate of 7.0% per annum and was set to mature on June 20, 2017. Pursuant to a debenture amendment agreement entered into by Fortress and FSTQ, we were granted the right to repay the principal amount owing under the FSTQ Debenture prior to maturity, together with all interest accrued to the date of repayment, without any prepayment penalty. Funds from the IAM Loan were used to repay the FSTQ Debenture.

OTCQX® Market Trading

In April 2017, Fortress announced that its common shares commenced trading on the OTCQX® Best Market in the United States under the symbol "FTPLF".

Developments relating to Chinese Anti-Dumping Measures

In April 2017, Fortress announced that the World Trade Organization ("WTO") issued its final report finding generally in favour of Canada in the dispute relating to China's imposition of anti-dumping measures on Canada's dissolving pulp industry. The WTO panel concluded that China's Ministry of Commerce ("MOFCOM") failed to conduct its injury investigation in accordance with its WTO obligations. The timeframe provided to China to comply with the decision will be negotiated by Canada and China or established by an independent arbitrator. At the end of this period, Canada could decide to initiate WTO compliance proceedings if it is of the view that China did not implement the panel's decision properly. Fortress is of the view that a proper implementation of the panel decision should result in China removing anti-dumping duties on imports of Canadian dissolving pulp.

Retirement of Yvon Pelletier

On October 1, 2017, Mr. Yvon Pelletier retired from Fortress after serving as President and Chief Executive Officer for two years. Previously, Mr. Pelletier served as President of Fortress Specialty from February 2013 until October 2015. Mr. Pelletier will continue to provide consulting services for up to two years in order to assist Fortress in its transition subsequent to his departure. Mr. Chadwick Wasilenkoff, Fortress's Executive Chairman, replaced Mr. Pelletier as President and Chief Executive Officer of the Company.

Auxiliary System Failure at the Fortress Specialty Mill

On September 21, 2017, Fortress announced that there was a burst in a pressurized auxiliary gas collection system relating to one of the recovery boilers at the Fortress Specialty Mill. There were no injuries or material damage to property or environmental impact. Fortress completed the necessary repairs at the Fortress Specialty Mill caused by the failure and recommenced production of dissolving pulp on October 6, 2017.

Fortress initiated an insurance claim pursuant to its property damage and business interruption insurance coverage, which has a $2.5 million deductible, and has received $1.0 million to date.

Sale of Security Paper Products Business

On December 20, 2017, Fortress announced that, through a wholly owned subsidiary, it had entered into and completed a share purchase agreement with the Swiss National Bank and Orell Fussli Holding AG, whereby Fortress sold all of the shares of Landqart for an aggregate purchase price of CHF 21.5 million (approximately $27.7 million). With the sale of Landqart, the Company no longer operates in the security paper products segment.

Credit Agreement

On December 29, 2017, Fortress announced that it had entered into a credit agreement with a private arm's length lender, who will provide a secured revolving credit facility in the principal amount of up to USD 5.0 million to Fortress Specialty, subject to certain borrowing base restrictions (the "Revolving Loan"). The Revolving Loan will mature on December 30, 2020 and will accrue interest at a rate of LIBOR plus 5.75% per annum. The Revolving Loan is secured by Fortress Specialty's wood fibre inventory located at the Fortress Specialty Mill, consisting of round wood, wood chips, and dissolving pulp and excluding certain non-eligible inventory. Fortress Specialty intends to use the proceeds of the Revolving Loan for general corporate purposes.

Recent Developments

Name and Symbol Change

On January 29, 2018, we announced the change of our company name to Fortress Global Enterprises Inc. in order to better reflect our existing business and future prospects. In connection with the change of name, on February 1, 2018 our common shares and 2012 Debentures began to trade on the TSX under the new symbols "FGE" and "FGE.DB.A", respectively.

IQ Loan Amendment

Subsequent to the year ended December 31, 2017, the Company entered into a further amendment (the "Second Amendment") to the IQ Loan pursuant to which the three quarterly principal payments payable in 2018 totalling $8.5 million have been deferred to March 31, 2019, without penalty or interest accruing on such amounts. In addition, the twelve monthly interest payments on the IQ Loan payable in 2018 totalling $4.4 million will be capitalized from January 1, 2018 to December 31, 2018, and such capitalized interest will not bear interest during this period. The Initial Deferrals remain in effect. Commencing on March 31, 2019, the same quarterly principal payments will resume with a lump sum payment due on maturity. The ongoing application of the Second Amendment was subject to a condition that has been satisfied.

Acquisition of S2G and New Xylitol Project

On March 23, 2018, Fortress announced that it had completed the acquisition of all of the issued and outstanding common shares of S2G for a purchase price of $2,500,000, which was satisfied by the issuance of 666,652 common shares of Fortress to S2G's shareholders at a deemed price of $3.75 per share. Fortress, through a newly formed special purpose company, intends to commission the construction of a demonstration plant to produce xylitol at its Fortress Specialty Mill, utilizing proprietary process technologies, know-how and expertise developed by S2G and Mondelēz International, Inc. ("Mondelēz") (NASDAQ:MDLZ). The demonstration plant will use C5 sugars extracted from hemicellulose, which is a residue from the Fortress Specialty Mill, to produce xylitol. See "The Business – Overview". Fortress believes that the new xylitol project provides a variety of unique business opportunities, including to become a globally low cost producer of a product with attractive growth rates, to have Mondelēz, a major international snacking company, as a technology partner to support the commercialization process, to diversify our product portfolio to extract and optimize value from a current byproduct, to create a new advanced bioproducts segment with the potential to generate up to $40 million in EBITDA and to develop an attractive financing structure with government support.

THE BUSINESS

Overview

Fortress currently operates in the dissolving pulp segment. We operate our dissolving pulp business at the Fortress Specialty Mill located in Canada where we also have the ability to swing production to northern bleached hardwood kraft ("NBHK") pulp. We operate in the renewable energy generation sector through our Cogeneration Facility.

With the acquisition of S2G in March 2018, we plan to create a new advanced bioproducts segment and commission the construction of a demonstration plant to produce xylitol at our Fortress Specialty Mill, utilizing proprietary process technologies, know-how and expertise developed by S2G and technology licensed exclusively to S2G by Mondelēz that was jointly developed by S2G and Mondelēz, one of the world's largest snacking companies and one of the world's largest users of xylitol. The demonstration plant will use C5 sugars extracted from hemicellulose, which is a byproduct from the Fortress Specialty Mill, to produce xylitol. The extraction and conversion of this byproduct will also further debottleneck the mill and increase its annual production capacity of dissolving pulp. The demonstration plant is expected to commence operation in 2020 and have a production capacity of up to 2,000 tonnes per year of xylitol or such other capacity sufficient to de-risk scale-up to full commercial scale. The Fortress Specialty Mill is expected to produce sufficient C5 sugars annually to provide the feedstock for up to an additional 20,000 tonnes per year of xylitol production which Fortress intends to utilize by constructing an approximately $150 million full-scale plant following successful completion of the demonstration plant. When complete, the full-scale plant would be expected to generate up to $40 million of EBITDA annually. See "Risk Factors – Xylitol Project".

The construction, commissioning and optimization of the demonstration plant is budgeted at approximately $33 million. It is anticipated that Fortress will provide $5.0 million in funding for the special purpose company in cash or in kind. Fortress is in the process of securing the balance of the required funding through various non-dilutive sources, including federal and provincial grants, other non-recourse financing and consortium partners. See "Risk Factors – Xylitol Project".

The Company's core strengths involve identifying and capitalizing on investment opportunities and divestitures. In relation to these core strengths, the Company may pursue opportunities outside of the Company's existing business segments, from time to time, that would diversify the asset base or monetize existing assets.

Dissolving Pulp

Industry Background

Pulp made from wood is the principal component used in the production of paper, paperboard, tissue and related products. Generally, wood pulp is produced using either a mechanical or chemical process. Mechanical pulps are produced by using mechanical force to separate the individual wood fibres from each other. Chemical pulps are the result of a process in which lignin, the component of wood that binds individual fibres, is dissolved by chemical reaction. Chemical pulps are used in paper requiring long durability compared to mechanical pulps which are generally used in paper with short life application like newspaper. Pulps can be bleached to increase brightness, or left unbleached.

Production of Dissolving Pulp

The production process for dissolving pulp involves the chemical extraction of fibres from wood to obtain cellulose. To produce rayon grades of dissolving pulp requires the debarking and chipping of logs, the cooking and de-lignification of the resulting wood chips whereby the lignin and hemicellulose are separated from the cellulose, bleaching the cellulose with various bleaching agents, and finally drying the wet dissolving pulp and compressing it into sheets. To create specialty grades of dissolving pulp additional processing steps are required, which increase the purity level of the cellulose.

Products

<u>Dissolving Pulp</u>

Dissolving pulp, also known as specialty cellulose, is a chemically refined bleached pulp in which hemicellulose in addition to lignin are removed from the wood. Dissolving pulp has unique properties, including a high purity of cellulose and uniform molecular-weight distribution. Dissolving pulp is used in a wide variety of applications, such as the production of rayon textile fibres, acetates, cellophanes, tire filaments, filters and various chemical additives. It is also used by pharmaceutical companies and the food industry as a binding agent. Dissolving pulp is generally categorized into either rayon grades of dissolving pulp or specialty grades of dissolving pulp, based on its purity and other characteristics. Rayon, as the single largest application of dissolving pulp, is used in a variety of end products including textiles, wipes and hygiene products, home furnishings, medical and surgical products and packaging materials. In the textile industry, rayon is considered to be a substitute for cotton with positive characteristics such as dryability and airability. Specialty grades of dissolving pulp are distinguished from rayon grades of pulp based on their levels of cellulose purity, as well as their brightness and viscosity.

The Fortress Specialty Mill

The Fortress Specialty Mill is located in Thurso, Québec, approximately 150 kilometers west of Montréal and is located on approximately 800 acres of land. In April 2010, we completed the acquisition of the Fortress Specialty Mill from Fraser Papers Inc. for net proceeds of approximately $1.2 million. We commenced the production and sale of high-quality NBHK pulp on an interim basis while we undertook the process of converting the Fortress Specialty Mill to a dissolving pulp producer.

We completed the conversion project and commenced production of dissolving pulp in December 2011. Commercial production for accounting purposes, with the equipment operating as intended by management, began in March 2012, and the mill continued its ramp up throughout the year. In October 2013, the Fortress Specialty Mill completed successful testing on its ability to operate as a "swing mill". The Fortress Specialty Mill is now capable of shifting production between dissolving pulp and NBHK pulp to maximize margins in response to market conditions. The Fortress Specialty Mill has a designed maximum annual production capacity of approximately 200,000 ADMT of dissolving pulp or 250,000 ADMT of NBHK. Further, the birch project, completed in the first quarter of 2018 with the construction and commissioning of the fifth digester, is expected to result in a planned incremental annual production capacity increase of 8,500 ADMT in 2018 and 17,000 ADMT in 2019. Capacity utilization at the Fortress Specialty Mill is expected to be greater than 84% in 2018.

On average, dissolving pulp sales are anticipated to provide significantly higher margins than NBHK pulp sales, targeting customers that are primarily in the rayon textile industry. Fortress Specialty produced no NBHK pulp in 2017.

The cogeneration project at the Fortress Specialty Mill was completed in October 2013 when the Cogeneration Facility began delivering power to the Hydro Québec grid at the commercial rate. While performing a routine gearbox inspection during the annual maintenance shutdown in October 2014, an issue with the turbine used in the Cogeneration Facility was discovered. As a consequence, the Cogeneration Facility operated at approximately 80% of its original target (approximately 15MW) until the gear was replaced in March 2015. The Fortress Specialty Mill has been producing approximately 20.4MW of power per hour and selling it at the contracted commercial rate since the beginning of April 2015. Due to unforeseen technical issues which have been resolved, the Fortress Specialty Mill produced at a rate of 19.4MW per hour during 2016. During 2017, the Fortress Specialty Mill produced at a rate of 19.1MW per hour. Management expects to see continued improvement due to mill uptime and stability and is targeting greater than 22MW per hour in power generation during 2018.

Marketing, Sales and Distribution

The following table sets forth the percentage of geographic distribution of sales revenue of the Fortress Specialty Mill for the periods indicated:

Sales Revenue by Geographic Market

	Year Ended December 31,	
	2017	**2016**
	(%)	
Asia	87.5	88.6
Other	12.5	11.4
Total pulp production	100.0	100.0

Sales by Product

	Year Ended December 31,			
	2017		**2016**	
	(thousands of dollars, other than %)			
Revenue				
Dissolving Pulp	136,946	87.6%	153,070	88.7%
Cogeneration	19,468	12.4%	19,570	11.3%
Total	156,414	100%	172,640	100%
	(ADMT, other than %)			
Volume				
Dissolving Pulp	129,351	100%	143,647	100%

In 2017, the Fortress Specialty Mill sold approximately 129,351 ADMT of dissolving pulp and revenues derived from sales thereof were approximately $136.9 million for the year ended December 31, 2017.

The Cogeneration Facility at the Fortress Specialty Mill generated approximately $19.5 million in sales revenue from the generation of power during the year ended December 31, 2017.

The Fortress Specialty Mill coordinated all dissolving pulp sales. Dissolving pulp was distributed primarily through an exclusive off-take agreement between Fortress Specialty and International Forest Products LLC of Massachusetts, which was responsible for all our dissolving pulp logistics and order management.

Raw Materials & Utilities

The primary raw material used for the production of dissolving pulp is wood. Hardwood logs and wood chips are the primary raw material used by the Fortress Specialty Mill with approximately 60% of requirements from logs and 40% from chips. The Fortress Specialty Mill is located on the Ottawa River between the cities of Montréal and Ottawa in proximity to its major fibre sourcing centres that include the western region of Québec, the eastern region of Ontario and parts of northeastern United States. In April 2013, Fortress Specialty entered into a new timber supply guarantee with the Québec Government for 218,900 cubic metres or approximately 24% of the total wood supply requirements of the mill, with the remaining requirements secured through various supply agreements with third parties. In December 2017, the Québec Government increased the timber supply guarantee to 298,800 cubic metres or approximately 34% of the total wood supply requirements of the mill, in effect until 2023.

The Fortress Specialty Mill also purchases chemicals and energy. The chemicals consist primarily of sodium hydroxide and sodium chlorate and these products can generally be obtained from a number of competitive suppliers and are subject to overall market fluctuations. The sources of energy are bunker C oil, biomass and electricity. The mill currently purchases electricity from Hydro Québec.

The Fortress Specialty Mill obtains the water required in the process from the Ottawa River.

Transportation

The Fortress Specialty Mill is located adjacent to rail lines and major highway connections to several ports in Québec. Our operations have the flexibility to load product into various types of road and rail equipment, enabling us to take advantage of the most competitive rates. Distribution arrangements covering rail and ocean transport, terminal handling and storage are in place to provide competitive access to the markets served. Different types of packaging configuration are available depending on customer requirements.

Market for Dissolving Pulp

Historically, demand for dissolving pulp had been concentrated in developed markets. The globalization of the production of cellulose-based products, including viscose staple fibre ("VSF"), has led to the establishment of operations in lower cost markets, especially in Asia. Demand for dissolving pulp is expected to continue to grow in Asian markets as capacity for VSF and other cellulose-based products grows, and continue to grow globally. The growth in VSF production capacity in China has led to increased demand for dissolving pulp and cotton linter pulp. Because of limited domestic sources of dissolving pulp, demand was initially met by domestic Chinese production of cotton linter pulp. However, the increase in VSF production has resulted in increased imports of dissolving pulp, as Chinese cotton linter pulp production has continued to decline due to environmental closures of certain cotton linter pulp mills and high production costs. Chinese dissolving pulp production is running at capacity and, in order to meet growing demand, there has also been an increase in imports of dissolving pulp.

Demand for pulp and dissolving pulp has historically been closely tied to overall economic activity. During 2013 to 2014, excess capacity in dissolving pulp production contributed to downward pressure on dissolving pulp prices, reaching a low of USD 800 per ADMT in February 2015. Dissolving pulp supply experienced slight contraction in 2015 as Chinese mills ran at less than 50% capacity due to cost competitiveness and environmental pressures. United States mills were similarly disadvantaged by rising currency related costs, resulting in some production switching to paper grade pulp. In addition, a year-long drought in South Africa impacted production at one of the largest dissolving pulp mills in the world.

From 2015, the VSF and rayon filament markets experienced improved supply and demand dynamics and improved prices. 2015 dissolving pulp prices increased from USD 800 per ADMT in February 2015 before ending the year at USD 902 per ADMT, averaging USD 837 per ADMT.

The VSF market continued upward momentum in 2016 due to continued favourable supply and demand, growing markets and access to capital resulting in planned increases in VSF capacity. VSF prices increased by 31% in 2016. Dissolving pulp prices made steady gains through 2016 from a low of USD 830 per ADMT in January to a high of USD 990 per ADMT in late October, averaging USD 893 per ADMT for the year. Rising dissolving pulp and VSF prices were partly mitigated by the appreciation of the Chinese RMB, which prior to 2016 was loosely pegged to the United States dollar.

The viscose industry continued to perform well through the majority of 2017, experiencing an unseasonable strong demand through the first quarter before sales declined in the fourth quarter due to new capacity coming on line and seasonal and environmental maintenance. Dissolving pulp prices ranged from a low of USD 830 per ADMT to a high of USD 960 per ADMT, averaging USD 899 per ADMT for the year, representing an increase of USD 6 per ADMT year over year.

As at March 2018, VSF prices have increased by approximately 30% from lows in February 2015, while dissolving pulp prices increased by 18% and rayon filament prices increased by approximately 8% during the same period. Average weekly prices in the first quarter of 2018 were generally lower than the first quarter of 2017 due to an unseasonable strong demand. VSF average pricing for the first quarter of 2018 is lower by 14% compared to the same period last year. Average weekly dissolving pulp prices and rayon filament are lower by 2% and 4% respectively, as compared to the prior year period.

The price of cotton had been in a steady decline since 2011, partly due to failed cotton crops in the 2010/11 season. In response to high prices, China adopted a policy of stockpiling cotton, which had the effect of depressing cotton prices. The 2015/16 cotton season saw a reduction of global cotton stocks for the first time in six years as consumption exceeded production which served as a catalyst for cotton pricing.

Cotton has gained 35% since its turnaround in 2016 partly due to annual Chinese state auctions which have resulted in a drawdown of its substantial cotton stockpile over the past three years. The auctions are forecasted to further decrease its stocks through the 2018/19 crop year by 7.3 million bales to 33.6 million bales. Global cotton production experienced an increase through 2017/18 due to higher yields and increased acreage due to crop rotation. Demand balance has been maintained by increases in world consumption and decreases in world beginning stocks at 87.7 million bales, the lowest in five years. For the 2018/2019 season, the United States Department of Agriculture is forecasting a decrease in cotton production by 4% and an increase in cotton consumption by 2%, suggesting a production deficit of 5.9 million bales.

New York cotton futures contracts have increased by 11 cents/lb compared to 2017, and China spot pricing is up 4.5 cents compared to 2017 average pricing.

We expect 2018 dissolving pulp pricing to be comparable to 2017 dissolving pulp pricing. Supporting this outlook is stable dissolving pulp prices of USD 918 per ADMT during the typically weak holiday and Chinese New Year period as well a subsequent rise after Chinese New Year to USD 940 per ADMT (as of March 27, 2018). China imports of dissolving pulp were up 16.6% year over year in 2017 and capacity expansions in the VSF market are forecasted to put increased pressure on dissolving pulp supply. Dissolving pulp pricing is further supported by high NBHK pulp pricing which has resulted in the shift of swing mill production to paper pulp. Risks to dissolving pulp pricing include exchange rate fluctuations and aggressive VSF production capacity increases possibly contributing to future decreases in VSF operating rates and prices.

We believe that the long-term growth prospects for the world textile and fibre markets should continue to improve with increasing population and a growing middle class in certain markets. United States net textile and apparel fiber imports increased to a record 16.2 billion lbs in calendar year 2017, as the expanding economy resulted in an increased demand for clothing. Worldwide use of fibre was up approximately 3% in 2016, surpassing 100 million tonnes for the first time, and is projected to continue to increase for the next several years. Man-made fibre now occupies 70% of the market while demand for cotton has continued to generally decline. VSF demand is anticipated to grow 5% to 6% per year as reported in The Fiber Year 2017.

The final dumping duty imposed by MOFCOM is applicable to certain product specifications of dissolving pulp previously produced at the Fortress Specialty Mill. With the final duty and its specifications established, the Fortress Specialty Mill made improvements in re-establishing a more normalized sales cycle with new and existing customers and remains focused on continued progress to reduce costs and finished goods inventory levels at the mill. Fortress Specialty's sales and distribution strategy launched in 2014 was to target 100% dissolving pulp production in 2015, including mitigating the application of the MOFCOM antidumping duty by geographical diversification, diversifying product mix, such as production for end uses other than viscose, improving quality and strengthening customer relationships. In addition, management continued to seek to reduce its customer concentration and expand its customer base. Management continues its efforts to optimize customer mix and geographical diversification of its sales. See "Risk Factors".

Competition

The market for dissolving pulp is highly competitive. Competitors in the rayon grades of the dissolving pulp market include, among others, Rayonier Inc., Sappi Limited, Lenzing AG and Cosmo Specialty Fibers Inc. The market for specialty grades of dissolving pulp places greater emphasis on concentration of cellulose. Competitors in the specialty grades of pulp market include, among others, Borregaard, Rayonier, Inc., Buckeye Technologies, Inc., Sappi Limited, Sateri Holdings Limited and Bracell Limited.

Seasonality

The Fortress Specialty Mill undertakes a shutdown approximately 10 days each year for major maintenance, typically in the fourth quarter of the year. The Fortress Specialty Mill had its planned maintenance shutdown in November 2017. Due to the substantial improvements and investments executed during the annual shutdown, an additional day beyond the normalized shutdown was required due to incremental work required in connection with the birch project. The initiative to further reduce operational costs is focused primarily in the following areas: productivity stabilization, reducing oil consumption, increasing power generation, labour cost reduction and chemical cost optimization. In September 2017, the Fortress Specialty Mill experienced an auxiliary system failure (See "Developments During the Financial Years Ended December 31, 2015 to 2017 – Auxiliary System Failure at the Fortress Specialty Mill"*)* and completed the necessary repairs and re-commenced production on October 6, 2017.

Historically, the biggest seasonal impact of the operation is related to wood inventory and production cost increases due to colder weather in the winter months. Wood inventory is generally increased in order to sustain operations during the spring thaw period, and additional purchased energy is required to meet process and building heating requirements throughout the winter.

Environmental

The operation of the mill is regulated by a wide array of federal, provincial and local environmental legislation, and the respective regulations thereunder. Operations managers at the mill have been assigned responsibility for monitoring compliance with prescribed standards and with their own environmental operating procedures. The mill has established an environmental management and reporting system that is designed to monitor environmental compliance with regulatory requirements and identify environmental issues and communicate them to all levels of management.

In connection with the purchase of the Fortress Specialty Mill, we assumed all environmental liabilities relating to the purchased assets and received limited environmental representations and warranties. See "Risk Factors – Environmental and Health and Safety".

To our knowledge, the mill has obtained all required environmental permits, authorizations and approvals for its operations. The mill has also applied for operating permits for the newly commissioned fifth digester. The mill manufactures its product materially in accordance with regulations governing air emissions and effluent discharges and within an overall context of maximizing the efficient use of resources and reducing the flow of all forms of waste materials.

The mill must monitor the release of specified gaseous and particulate materials into the atmosphere during manufacturing processes and control the discharge of liquid waste into the environment. The disposal of solid waste is also controlled and monitored.

The mill is equipped with its own waste-water treatment plant that allows it to reduce effluent release.

The Fortress Specialty Mill was audited in 2015 and successfully renewed its certification for Controlled Wood FSC-STD-40-005 V2-1, FSC-STD-40-004 with the Forest Stewardship Council ("FSC"). The FSC certificate is valid until September 2018. An audit will be conducted during the summer of 2018 to commence the renewal process. The FSC identifies products which come from well managed forests certified in accordance with the rules of the FSC.

The mill will continue to identify and address potential environmental concerns which may result in the identification of additional environmental costs and liabilities. We believe that the mill has identified and provided for the expenditures relating to known environmental matters, including compliance issues and the assessment and remediation of the environmental condition of our properties.

Environmental laws and requirements have become increasingly stringent over time. Federal, provincial, and municipal governments have become increasingly active in the area of environmental regulation. The enforcement of environmental laws changes from time to time and there can be no assurance that the current level of enforcement of environmental laws will not change in the future. Regulation and enforcement by the various levels of government, with respect to past, current and future operations and activities can reasonably be expected to continue to affect the mill.

Xylitol

Xylitol is a naturally occurring sugar polyol that has a sweetening property matching that of cane sugar but with 40% fewer calories. In addition, based on third-party research, Fortress believes that xylitol is currently the best nutritive sugar substitute with respect to the prevention of dental cavities. Xylitol is used extensively in a variety of confectionary products such as gums and candies with estimated annual global xylitol sales volumes in 2017 of approximately 200,000 tonnes and an expected annual growth rate of 6.5% through 2024. Current spot prices for xylitol vary by region and feedstock and are in the USD 3,500 – USD 4,500 per tonne range.

As consumer demand for healthy, natural products grows, food and pharma companies are seeking low-calorie/non-sugar sweeteners. Sorbitol and mannitol are used widely, but are derived from GMO feedstock and do not have the preferred taste or health characteristics. Xylitol is a lower calorie, organic sweetener, offering better taste, easier handling, high sweetness, desirable mouth-cooling effect and unsurpassed oral health benefits.

Fortress believes that the majority of xylitol is currently produced in China using corncobs as the feedstock. In implementing its xylitol project, Fortress will use Fortress Specialty's low cost, high quality, non-GMO feedstock derived from Canada's sustainable forests and the high conversion efficiencies of the S2G process to improve the cost structure, improve efficiency and reduce environmental impact. Fortress believes that a full-scale plant at the Fortress Specialty Mill will be one of the lowest cost producers of xylitol globally.

The C5 sugars contained in the hemicellulose of the pre-hydrolysate kraft (PHK) liquor produced as a by-product of the Fortress Specialty Mill's dissolving pulp process represent the building blocks for the production of high-value biochemical and food additives. The PHK liquor is currently burned in the mill's recovery boiler. Fortress has been taking steps to unlock value in its C5 sugars, which included a project to add a fifth digester, completed in March 2018, enabling the utilization of birch (a high-quality, low cost source of C5 sugars) and adding incremental dissolving pulp production capacity of 17,000 ADMT per year. The project is designed to enable the cost-effective extraction of PHK for value-added processing. See "Developments Over the Financial Years Ended December 31, 2015 to 2017 – Announcement of Investment in Birch Project and Hemicellulose Project at the Dissolving Pulp Mill".

S2G is the exclusive global licensee of the xylitol process technology that S2G and Mondelēz have jointly developed. In connection with the acquisition of S2G, Fortress and S2G have entered into a non-binding term sheet (the "Term Sheet") with Mondelēz which sets out a framework to modify certain terms of the license and to provide for certain commitments from Mondelēz with respect to the output of the demonstration plant and any future full scale plant. The parties are in the process of negotiating a definitive agreement. See "Risk Factors – Xylitol Project".

Personnel

As at December 31, 2017, we had 331 full-time employees, of which 322 were employed at the Fortress Specialty Mill and 9 were employed at our head office in North Vancouver, British Columbia. With the acquisition of S2G, we have added an additional 8 employees to our company.

The Fortress Specialty Mill is a party to collective agreements with two unions, which will be in effect until 2020. The previous collective agreements expired on April 30, 2016 and bargaining negotiations for the new collective agreements were completed in the second quarter of 2016. The Union for Canada ("UNIFOR") represents most of the workers at the Fortress Specialty Mill. Office workers are represented by UNIFOR Local 189 and production and maintenance workers are represented by UNIFOR Local 894.

RISK FACTORS

An investment in our securities should be considered highly speculative and involves a high degree of financial risk due to the nature of our activities and the current status of our operations. A prospective investor should carefully consider the risks summarized below and all other information contained in this Annual Information Form before making an investment decision relating to our common shares. Some statements in this Annual Information Form (including some of the following risk factors) constitute forward-looking information. Please refer to the discussion of forward-looking information in the introduction to this Annual Information Form. Any one or more of these risks could have a material adverse effect on the value of any investment in our Company and the business, financial position or operating results of our Company and should be taken into account in assessing our activities. The risks noted below do not necessarily comprise all those faced by us.

Pulp Markets

The dissolving pulp business is highly cyclical in nature and may result in periods of supply and demand imbalance, which in turn affects pulp product prices. Dissolving pulp markets are highly competitive and are sensitive to cyclical changes in the global economy, industry capacity and foreign exchange rates, as well as decreased demand due to generally reduced economic activity, product-specific activity or inventory de-stocking by customers, all of which can have a significant influence on selling prices and the Company's operating results. The length and magnitude of industry cycles have varied over time, but generally reflect changes in macro-economic conditions and levels of industry capacity.

Demand and prices for pulp products are cyclical and are influenced by a variety of factors. These factors include periods of excess product supply due to industry capacity increases.

Industry capacity can fluctuate as changing industry conditions can influence producers, including the Company, to idle production capacity or permanently close mills. In addition, to avoid substantial cash costs in idling or closing a mill, some producers, including the Company, may choose to operate at a loss, sometimes even a cash loss, which can prolong weak pricing environments due to oversupply. The expected advantages to be derived, for example, from the implementation of the swing mill strategy at the Fortress Specialty Mill in order to partly mitigate a potential MOFCOM duty, are subject to market pricing of NBHK pulp compared to dissolving pulp. Prolonged depressed pricing in both dissolving and NBHK pulp markets may make it uneconomical for the Fortress Specialty Mill to produce either product, which may materially adversely affect the Company's business, operations and financial results. Alternatively, oversupply of the Company's products can also result from producers introducing new capacity in response to favourable pricing trends. If global economic conditions were to deteriorate in the future, prolonged curtailments of production or extended shutdowns could have a material adverse effect on its business, financial condition and results of operations. In addition, the relatively high fixed cost component of certain manufacturing processes, specifically in pulp production, requires producers to operate facilities with target efficiency in the high 80% range even when demand is not sufficient to absorb all of the output. This excess production may saturate the market and have a negative impact on product prices, further increasing the inherent cyclicality of the industry.

Effects of Increased Indebtedness

We may incur additional indebtedness in order to fund our operations or expenditures. Increased debt levels may have important consequences for the Company, including, but not limited to the following:

- its ability to obtain additional financing to fund future operations or meet its working capital needs or any such financing may not be available on terms favorable to the Company or at all;
- a certain amount of the Company's operating cash flow will be dedicated to the payment of principal and interest on its indebtedness, thereby diminishing funds that would otherwise be available for its operations and for other purposes;
- a substantial decrease in net operating cash flows or an increase in the Company's expenses could make it more difficult for it to meet its debt service requirements, which could force the Company to modify its operations; and
- a leveraged capital structure which may place the Company at a competitive disadvantage by hindering its ability to adjust rapidly to changing market conditions or by making it vulnerable to a downturn in its business or the economy in general, as well as other risks associated with increased leverage.

The Company's ability to meet future debt service, debt covenants and other obligations may depend in significant part on the success of our businesses and the extent to which the Company can successfully implement its business and growth strategy. There can be no assurance that our businesses will be successful or that the Company will be able to implement its strategy fully, that the anticipated results of its strategy will be realized or that cash generated from operations will allow us to meet our future debt service and other obligations. The project financing facility for the Fortress Specialty Mill is secured by a charge against all of the assets of Fortress Specialty and Fortress Bioenergy and, in the event of default under the facility, the lender has no recourse against Fortress. The IAM Loan is secured by all of the assets of Fortress Bioenergy, and is guaranteed by Fortress and Fortress Specialty. The Revolving Loan is secured by Fortress Specialty's wood fibre inventory located at the Fortress Specialty Mill, consisting of round wood, wood chips, and dissolving pulp and excluding certain non-eligible inventory.

Trade Restrictions/Dissolving Pulp Export Tariffs

The Company's financial results are highly dependent on its ability to sell its products outside of Canada. Tariffs, quotas and other trade barriers that reduce or prohibit the movement of the Company's products across international borders constitute an ongoing significant risk. If new tariffs or quotas are created, or if existing tariffs increase or quotas decrease, there can be no assurance that the Company will be able to effectively access foreign markets, which could have a material adverse effect on the Company's volume of sales and financial results.

In February 2013, MOFCOM announced that it would commence an anti-dumping investigation on the importing of cellulose pulp originating from the United States, Canada and Brazil, after receiving a petition from certain manufacturers in China. The period of investigation for dumping was from January 1, 2012 to December 31, 2012, and the period of investigation for industry injury was from January 1, 2010 to December 31, 2012. The announcement included Fortress Specialty as one of the Canadian producers subject to the investigation. MOFCOM announced its final determination on April 4, 2014. The final duty imposed by MOFOM on the Fortress Specialty Mill remained unchanged from the previously announced interim duty of 13%. The final duty imposed by MOFCOM on dissolving pulp imports from all other unnamed current or future Canadian dissolving pulp producers was 23.7%. With the final duty and its specifications now established, the Fortress Specialty Mill has made improvements in re-establishing a more normalized sales cycle with new and existing customers and remains focused on continued progress to reduce costs and finished goods inventory levels at the mill. Fortress Specialty's new sales and distribution strategy targets 100% dissolving pulp, subject to market conditions, including mitigating the application of the MOFCOM antidumping duty by diversifying product mix, including production for end uses other than viscose, improving quality and strengthening customer relationships. In addition, management continues to investigate customer mix and geographical diversification of its sales. There can be no assurance that such initiatives will be successful.

In October 2014, the Government of Canada requested WTO consultations with China concerning its imposition of dumping duties on Canadian exports of dissolving pulp, which Canada believes violate WTO rules. The Government of Canada stated it was seeking consultation as a first step under WTO rules to reach a settlement. China had 30 days to engage in talks with Canada; however, dialogue was unsuccessful and on February 12, 2015, Canada announced that it was requesting the establishment of a WTO panel on China's imposition of discriminatory and unfounded anti-dumping measures on Canada's dissolving pulp industry, which panel was composed in April 2015.

In April 2017, the WTO issued its final report finding generally in favour of Canada in the MOFCOM dispute. The WTO panel concluded that MOFCOM failed to conduct its injury investigation in accordance with its WTO obligations. The timeframe provided to China to comply with the decision will be negotiated by Canada and China or established by an independent arbitrator. At the end of this period, Canada could decide to initiate WTO compliance proceedings if it is of the view that China did not implement the panel's decision properly.

These tariffs have had a material adverse effect on our business, financial results and financial condition, and may continue to have an adverse effect if efforts to materially reduce MOFCOM's final determination are unsuccessful. There is no assurance that any of the ongoing efforts to reverse MOFCOM's final determination will be successful.

Most of the agreements to which the Company or its affiliates are party or will be party in the future with respect to sales of pulp products will involve sales into the People's Republic of China. Any disputes relating to such sales arrangements may be subject to dispute resolution procedures in China, which would subject the Company to uncertainties that could limit the legal protection available to it. It may be impossible to obtain swift and equitable enforcement of the Company's rights or to obtain enforcement of judgments by a court of another jurisdiction in respect of such sales arrangements. The inability to enforce or obtain a remedy under such agreements could have a material adverse impact on the Company.

Fluctuations in the Price and Supply of Raw Materials and Chemicals

Fortress purchases large amounts of raw materials (wood, pulp, chemicals, bark) and energy in order to manufacture dissolving or, if produced, NBHK pulp. The margins on dissolving pulp and NBHK pulp production are subject to risks related to raw material availability and price development which can fluctuate to the detriment of the Company. Fortress attempts to mitigate these risks by carefully selecting its suppliers according to specified criteria such as price, reliability and quality, but also focuses on establishing longstanding, stable supplier-customer partnerships, in some cases with supply agreements over a period of several years. Fortress has also established long-term contractual relationships with several raw material suppliers and service partners. These agreements require Fortress to purchase specified quantities of raw materials at standardized terms and conditions, which may also include price adjustment clauses. As a consequence, Fortress may not be able to change prices, quantities purchased or other contractual terms in the short term as a means of appropriately responding to changed economic conditions.

The fibre used by the Fortress Specialty Mill consists of wood pulp. Such fibre is cyclical in terms of both price and supply. The cost of fibre is primarily affected by the supply and demand for paper, wood pulp and petroleum products. Demand for these raw materials and other raw material inputs required to produce our products is determined by the volume of wood pulp, paper products and petroleum products produced globally and regionally. The markets for wood pulp, paper products and petroleum products are highly variable and are characterized by periods of excess product supply due to many factors, including periods of insufficient demand due to weak general economic activity or other causes. The cyclical nature of pricing for these raw materials represents a potential risk to our profit margins.

Although raw materials are available from a number of suppliers, and we have not experienced supply interruptions or substantial price increases, we cannot predict what fluctuations we may encounter in the future as we increase production at the mill. In addition, the quality of fibre we receive could be reduced as a result of industrial disputes, material curtailments or shut down of operations by suppliers, government orders and legislation, acts of God and other events beyond our control. Further, other mills opening in our region could increase demand and put pressure on our source of fibre. This would require us to bring in fibre from greater distances at an increased cost. An insufficient supply of fibre or reduction in the quality of fibre we receive would materially adversely affect our business, financial condition, results of operations and cash flows. Other than the timber supply guarantee agreement, we do not have any long-term fibre contracts at the Fortress Specialty Mill.

In addition to the supply of fibre, we are dependent on the supply of certain chemicals and other inputs used at the mill. Any disruption in the supply of these chemicals or other inputs could affect our ability to meet customer demand in a timely manner and could harm our reputation. Any material increase in the cost of these chemicals or other inputs could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Fortress Specialty Mill

The Fortress Specialty Mill may not achieve the Company's planned production level, cost projections or quality in respect of the dissolving pulp operation, or achieve the anticipated stable cost benefits from the operation of the Cogeneration Facility. Cost overruns, equipment breakdowns, damage during shipment of equipment or failures to perform to design specifications, delays in the generation and sales of surplus energy, including contracted amounts, could have a material adverse effect on the Fortress Specialty Mill's results of operations and financial performance.

Additional Funding Requirements

We anticipate making substantial capital expenditures for the acquisition, development and increased production of our products in the future, including in respect of the xylitol project at the Fortress Specialty Mill. If our revenues decline, we may have limited ability to expend the capital necessary to undertake or complete future projects. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to us. Moreover, future activities may require us to alter our capitalization significantly. Our inability to access sufficient capital for our operations could have a material adverse effect on our financial condition, results of operations or prospects.

If we are unable to raise additional funds when needed, our ability to execute our strategies could be impaired. We do not know whether we will be able to secure additional funding or funding on terms acceptable to us. Our ability to obtain additional funding will be subject to a number of factors, including market conditions, investor sentiment and our operating performance. These factors may make the timing, amount, terms and conditions of additional funding unattractive to us. If we issue additional equity securities, existing shareholders may experience dilution or be subordinated to any rights, preferences or privileges granted to the new equity holders.

The Company will require additional financing in connection with its plan for constructing and commissioning the xylitol demonstration plant at the Fortress Specialty Mill and, if successful, a commercial plant, and may need additional financing in respect of implementing its business and strategic plans from time to time, which may not be available in a timely manner or on acceptable terms, if at all. Although the Company has begun negotiations for financing the xylitol demonstration plant, there is no assurance that such negotiations will be successful as anticipated, within expected timeframes or at all. In such event, there will be substantial risk that the xylitol project may not be implemented within expected timeframes or at all. The implementation of the Company's business plan in connection with the xylitol project and the Company's business and strategic plans from time to time will require a substantial amount of capital and the amounts available to the Company including amounts raised by the Company through the financing initiatives described herein may not be sufficient to fund such project, business and strategic plans. The Company will accordingly have further capital requirements if it implements its business plan in connection with the xylitol project or takes advantage of further opportunities for acquisitions.

Xylitol Project

Limited Operating History of S2G

S2G's business and prospects as integrated within Fortress's business must be considered in light of the risk, expenses and difficulties frequently encountered by research and development companies in the early stage of development. Such risks include the uncertainty that accompanies the application of a new technology and methodology. This will first be applied to a demonstration plant and, if successful, at a commercial scale. The Company will also need to anticipate and adapt to a dynamic market for xylitol. There can be no assurance that Fortress and S2G will be successful in addressing these risks. S2G has incurred operating losses on an annual basis since incorporation. No assurances can be given that the xylitol project will achieve profitability in the future.

Intellectual Property

The future success of the xylitol project depends in part upon S2G's intellectual property rights, including trade secrets, know-how and continuing technological innovation. There can be no assurance that the steps taken by S2G to protect its intellectual property rights will be adequate to prevent misappropriation or that others will not develop competitive technologies or processes. There can be no assurance that other companies are not investigating or developing other technologies that are similar to S2G's technologies and processes, that any patents will issue from any application filed by S2G or its co-developer or that, if patents do issue, the claims allowed will be sufficiently broad to deter or prohibit others from adopting similar manufacturing methods. In addition, there can be no assurance that any patents that may be issued to S2G will not be challenged, invalidated or circumvented, or that the rights thereunder will provide a competitive advantage to S2G and Fortress. There can be no assurances that no other parties may be "first to file" patents over products or processes that S2G may seek to protect or that are critical to its technology and manufacturing processes. Additionally, the xylitol project as planned by Fortress is subject to the entering into of a new definitive license agreement with Mondelēz and related commitments with respect to the output of the demonstration plant and any future scale commercial plant. While the parties have agreed to certain non-binding terms, there is no assurance that a definitive agreement will be entered into on terms satisfactory to Fortress, in a timely manner or at all.

Project Delays or Deficiencies

Our plans to construct a xylitol demonstration plant at the Fortress Specialty Mill and, if successful, a commercial plant, are subject to customary risks and uncertainties inherent for large capital projects which could result in the project not completing on schedule or as budgeted. Delays in receiving required financing and any operating permits, as well as technical issues that may arise, technological or process failures and unsuccessful testing could result in construction delays, operational deficiencies or failures or funding shortfalls. The project may not achieve our planned production, quality or cost projections in respect of the xylitol operation. S2G's research and development efforts may not lead to the successful introduction of new or improved manufacturing technology and processes. The development by others of new or improved products, processes or technologies may make the proposed xylitol demonstration or commercial plant obsolete or less competitive. In addition, the significance of research and development and technological innovation for the implementation of the xylitol project could result in increased operating costs and research and development expenses of the Company. There may be delays in starting volume production of xylitol. Cost overruns, equipment breakdowns or failures to perform to design specifications, could have a material adverse effect on the completion of the project and Fortress's results of operations and financial performance.

Governmental Regulation

S2G's business is subject to many governmental federal and local regulations and policies including, but not limited to, the *Canada Health Act*. Among other things, these regulations require ingredient manufacturers to maintain quality control and sales records and perform product testing. The Company will be subject to similar regulatory oversight, including comparable enforcement remedies in the United States and international markets it expects to serve.

Competition

The low calorie sweetener market is highly competitive. The Company will face substantial competition from established competitors, many of which have greater financial, engineering, manufacturing and marketing resources. Such competitors can be expected to continue to improve manufacturing techniques and marketing. If the xylitol project is implemented or is successful, there can be no assurance that the Company will successfully differentiate its product from the product of its competitors or that the market place will consider its products to be superior to competing products. To maintain a competitive position, the Company expects that it will be required to continue a high level of investment in engineering, research and development, marketing and customer service and support. There can be no assurance that the Company will have sufficient resources to continue to make these investments, that it will be able to make the technological advances necessary to maintain its competitive position, or that its products will receive market acceptance. The Company may not be able to compete in the xylitol and substitute sweetener markets successfully in the future, and increased competition may result in price reductions, reduced profit margins, loss of market share and an inability to generate cash flows that are sufficient to maintain or expand its development. Although the Company is seeking to mitigate certain of these risks through entering into commitments with Mondelēz with respect to the output of the demonstration plant and any future scale commercial plant, there can be no assurance that such definitive agreements will be entered into on terms satisfactory to Fortress, in a timely manner or at all.

Financial Risk on the Commercial Plant

In the event that the demonstration plant is successful, the construction of a commercial xylitol plant will require significant capital expenditures, and the Company may not be able to obtain the necessary funding for a commercial xylitol producing plant. Additionally, as such project is expected to occur in the long-term, unfavourable economic conditions and the state of financial markets could present challenges to raising funds in the public or private markets at times when the Company might require such funding. If the Company is not able to raise adequate funding it will suffer material adverse consequences, the xylitol project may never achieve commercialization and its xylitol project could be hampered. If commercialization does proceed, there may be scale-up risks from the demonstration plant that could impact production capacity or operating costs adversely affecting financial returns.

Taxation Matters

The Company believes that it is in material compliance with all applicable tax legislation in the countries in which it operates in. However, tax returns and other tax assessments are subject to reassessment by applicable taxation authorities. In the event of a successful reassessment of the Company, such reassessment may have an impact on current and future taxes payable.

The Company is subject to ongoing examination by tax authorities in each jurisdiction in which it has operations. The Company regularly assesses the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for current and deferred income taxes, as well as the provision for indirect, withholding and other taxes as well as related penalties and interest. This assessment relies on estimates and assumptions, which involves judgments about future events. There is no assurance that adequate provisions have been or will be made by the Company to fully cover its possible exposure to tax related liabilities, and any material tax reassessment may have a material adverse impact on the Company's liquidity, financial condition and results of operation.

Supply Risks

Suppliers to our mill have and may in the future require us to prepay in order to secure the supply of their products prior to delivery. If our mill is unable to make such prepayments, this may result in an inability to fulfill our supply agreements and, further, suppliers may delay delivery of materials required in our production processes, which may result in delays in production and delivery of our orders. Although we anticipate being able to fulfill our orders substantially on time, any delays in the delivery of required materials from our suppliers may materially adversely impact our ability to timely fulfill our orders and our relationships with our customers, either of which may have a material adverse effect on our business, financial results and financial condition.

Failure to Enhance Operating Performance

While we believe that there are a number of opportunities to reduce operating costs, increase production and improve the financial results of our mill, we may not be able to achieve our planned operating improvements, cost reductions, capacity increases or improved price realizations in our expected time periods, if at all. In addition, some of the improvements that we hope to achieve depend upon capital expenditure projects that we plan to implement at our mill. Such capital projects may not be completed in the expected time periods, if at all, and may not achieve the results that we have estimated or may have a cost substantially in excess of the planned amounts.

Reliance on Key Personnel

Our future success depends, to a large extent, on the efforts and abilities of our executive and senior operating officers. The contributions of these individuals to the immediate operations of our Company are likely to be of central importance. Such officers are industry professionals, many of whom have operated through multiple business cycles. Our officers play an integral role in, among other things:

- sales and marketing;
- knowledge and expertise;
- reducing operating costs;
- identifying and implementing capital projects which provide a high rate of return; and
- prioritizing expenditures and maintaining employee relations.

The loss of one or more of our officers could make us less competitive in these areas which could materially adversely affect our business, financial condition, results of operations and cash flows. There can be no assurance that we will be able to continue to attract and retain all personnel necessary for the development and operation of our business. We do not maintain any key person life insurance on any of our executive or senior operating officers.

Foreign Exchange

Our profitability is subject to fluctuations in foreign currencies, particularly the USD, which is the currency in which many of our sales are denominated. Fluctuations in foreign currencies affect our competitive position in world markets. Our competitiveness in world markets is also affected by the relative strength of the currencies of other producing countries. We use a variety of derivative financial instruments to reduce our exposure to risks associated with fluctuations in foreign exchange rates.

Acquisition Risk

A component of the Company's strategy is to selectively acquire or invest in specialty sectors that will enhance its production capacity, advance its technological capability, expand its customer base or extend its geographic reach. Acquisitions involve numerous risks in addition to those otherwise specified herein as applicable to the Company, including the expenses incurred in connection with the acquisition, the difficulties in assimilating operations, the diversion of management's attention from other business concerns and the potential loss of key employees of the acquired company. Acquisitions of foreign companies involve the additional risks of assimilating differences in foreign business practices, hiring and retaining qualified personnel and overcoming language barriers. It is also possible that with any future acquisitions, the Company will assume the problems of the acquired entity. There is no assurance that the Company will successfully integrate future acquisitions into its operations, be able to complete such transactions or be able to complete them on favourable financial terms.

Dependence on Major Customers

The Company is a niche player in all of its business areas and derives a significant portion of its revenue from a relatively small number of major customers. Sales losses caused by major clients or the loss of one or more major customers combined with the failure to attract new customers constitute a risk which the Company seeks to counteract by way of its global presence and continuous attempts to broaden its client base and sales markets.

The Fortress Specialty Mill's three largest customers accounted for approximately 57.0% its sales revenues in fiscal 2017. In the absence of these customers, the Company believes there are alternative customers available to purchase the Fortress Specialty Mill's products.

The Company sells substantially all of its dissolving pulp production through an exclusive distributor pursuant to a pulp purchase and sale agreement. In the absence of the Company's exclusive distributor, the Company believes there are alternative means that are readily available for selling the product of the Fortress Specialty Mill.

A significant reduction of purchases, whether as a result of postponements or delays in orders for our products, contractual disputes or otherwise, by any of our largest customers could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Forest and Timber Tenures

Although raw materials, pulp logs and wood chips are available for the Fortress Specialty Mill from a number of suppliers and Fortress Specialty has entered into several wood fibre supply agreements, Fortress Specialty cannot predict what fluctuations it may encounter in the future as it continues production at the Fortress Specialty Mill and there can be no assurance that current wood fibre arrangements can be extended or replaced upon completion of their terms.

Effective April 1, 2013, the *Sustainable Forest Development Act* (Québec) (the "SFDA") officially replaced the *Forest Act* (Québec) and significantly modified the Québec Crown wood allocation regime. The guaranteed annual volumes of timber under timber supply guarantees pursuant to the SFDA are determined by the Ministère des Forêts, de la Faune et des Parcs (the "MFFP"). Fortress Specialty has entered into a new timber supply guarantee agreement with the MFFP for approximately 34% of the total wood supply requirements of the Fortress Specialty Mill, in effect until 2023, with the remaining requirements secured through various supply arrangements with third parties. Each timber supply guarantee agreement has a term of five years and is renewable every five years at the discretion of the MFFP. Although we believe that these are satisfactory arrangements, there is no assurance that Fortress Specialty will be able to maintain its wood fibre supply allocation pursuant to any such fibre supply arrangements under the new regime, which are subject to change, and the annual allowable timber volume may fluctuate. An insufficient supply or increased demand for wood fibre or raw materials could materially adversely affect the business, financial condition, results of operations and cash flows of the Fortress Specialty Mill.

Volatility of Market Price of Listed Securities

The market price of our listed securities may be highly volatile. The volatility may affect the ability of holders to sell the listed securities of the Company at an advantageous price. Market price fluctuations in our listed securities may be related to the performance of the Company, such as Fortress's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, an adverse change in general market conditions or economic trends, trade sanctions, acquisitions, dispositions or other material public announcements by Fortress or its competitors, along with a variety of additional factors, as well as factors unrelated to the Company or its industry, such as economic recessions or changes to legislation in the countries in which it operates. In addition, the market price for securities in the stock markets, including the TSX, has experienced significant price and trading fluctuations in recent years. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the listed securities of the Company. For these reasons, the Company's common shares can be subject to volatility resulting from purely market forces over which the Company will have no control such as that experienced recently resulting from the economic downturn due to the on-going credit crisis centered in the United States and Europe. Further, despite the existence of a market for trading the Company's common shares in Canada, the shareholders of the Company may be unable to sell significant quantities of common shares in the public trading markets without a significant reduction in the price of the common shares. There can be no assurance that the market price of our securities will not decline.

Competition

We operate in highly competitive niche markets and face competition from numerous global competitors. Many of our competitors are larger and have greater financial resources than us and some of the mills operated by our competitors are lower cost producers than our mills and may be able to adapt more quickly to industry or market changes or devote greater resources to the sale of products than we can. Our competitive position is influenced by a large number of factors including:

- our ability to attract and maintain long-term customer relationships;
- the quality of our products and customer service;
- foreign currency fluctuations;
- our ability to reduce manufacturing costs by achieving high operating efficiencies and production rates;
- the availability, quality and cost of fibre and labour; and
- the cost of energy.

There can be no assurance that we will continue to be competitive in the future.

Markets and Marketing

The marketability and price of our products is and will continue to be affected by numerous factors beyond our control. We may also be affected by deliverability uncertainties related to the proximity of our products to our customers, and related to operational problems with our facilities as well as extensive government regulation relating to price, taxes, the export of our products and many other aspects of the pulp and paper industry. Significant year-on-year changes in volume or customer mix could affect profitability.

Risks Relating to Future Investments

The Company may, in the future, make investments that may, in part, be financed by the Company. Investments made by the Company could be speculative and there is no guarantee that any such investment will earn any positive return in the short term or long term. Businesses that the Company invests in may also request additional funding from the Company to support their operations and growth, and there is no assurance that such funding will be available to the Company from external sources on acceptable terms or at all.

The Company intends to pursue opportunities outside of the Company’s existing business segments that would diversify the asset base, the success of which will depend, in part, on its ability to: identify suitable investments; negotiate the purchase of such investments on terms acceptable to it; complete the investments within expected time frames; and capitalize on such investments. Further, the profitability of such investments will be dependent upon a variety of potential factors depending on the underlying industry, for example, the market price of commodities, the level of interest rates, global economic conditions, political conditions, speculative activities, stability of exchange rates and other factors beyond the control of the Company. Investments in companies with publicly traded securities may experience substantial volatility and would be subject to market trends and macroeconomic conditions generally, notwithstanding any potential success of such companies in creating revenues, cash flows or earnings and may not accurately reflect the long-term value of such companies. There can be no assurance that continual fluctuations in price will not occur in such instances. The Company may also invest in securities of private companies. In some cases, the Company may be restricted by contract or by applicable securities laws from selling such securities for a period of time. Such securities may not have a ready market and the inability to sell such securities or to sell such securities on a timely basis or at acceptable prices may impair the Company's ability to exit such investments when the Company considers it appropriate. Foreign investments that may be made by the Company in specific sectors such as natural resource, industrial or technology may be subject to political risks, risks associated with changes in foreign exchange rates, foreign exchange control risks and other similar risks. The Canadian dollar equivalent of the Company's net denominated assets and dividends would be adversely affected by reductions in the value of the applicable foreign currencies relative to the Canadian dollar and would be positively affected by increases in the value of the applicable foreign currencies relative to the Canadian dollar.

In certain cases, the Company may invest in securities of companies that the Company does not control. These investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Company does not agree or that the majority stakeholders or management of the company may take risks or otherwise act in a manner that does not serve the Company's interests. If any of the foregoing were to occur, the values of investments by the Company could decrease and the Company's financial condition and cash flow could suffer as a result.

The due diligence process undertaken by the Company in connection with investments that it wishes to make may not reveal all relevant facts in connection with an investment. Before making investments, the Company will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence investigations, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. The due diligence investigations that are carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such investigation will not necessarily result in the investment being successful.

Labour Relations

The majority of our employees are unionized. Although we have not experienced any work stoppages in the past, there can be no assurance that we will be able to negotiate acceptable collective agreements or other satisfactory arrangements with our employees upon the expiration of existing collective agreements. This could result in a strike or work stoppage by the affected workers. The registration or renewal of the collective agreements or the outcome of wage negotiations could result in higher wages or benefits paid to union members. Accordingly, we could experience a significant disruption of our operations or higher on-going labour costs, which could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Management of Growth

We may be subject to growth-related risks including capacity constraints and pressure on our internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expend, train and manage our employee base. The inability to deal with this growth could have a material adverse impact on our business, operations and prospects

Environmental and Health and Safety

The production of dissolving pulp and NBHK pulp requires a complex series of chemical and physical processes which entail certain environmental risks. These risks are well managed thanks to special, proactive and sustainable environmental management efforts, closed production cycles and the continuous monitoring of emissions on the basis of modern-day production technologies. Although Fortress sets high technological and safety standards in the construction, operation and maintenance of its production sites, the risk of breakdowns, disruptions and accidents cannot be fully excluded. In particular, such difficulties can be caused by external factors over which Fortress has no control. There are no direct means of safeguarding against certain dangers (e.g. cyclones, earthquakes, floods). In addition, there is the risk of personal injury, material and environmental damage which could result in considerable claims for damages and even criminal liability. Fortress has concentrated its production operations at just a small number of sites. Any disruption at one of these facilities would impact a substantial part of the Company's business operations. Furthermore, there is no guarantee that more stringent conditions under health and safety regulations will not be imposed in the future or that there will not be more stringent enforcement of such conditions, which may result in material expenditures.

Certain phases of paper and pulp production present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, state, provincial, municipal and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with operations. Further, there are also requirements that mill sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge, even if those assets are subsequently divested. Although we believe that we are in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production and development or otherwise adversely affect our financial condition, results of operations or prospects. Furthermore, failure by us to comply with applicable environmental and safety laws and regulations, and the permit requirements related thereto, could result in civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measure, installation of pollution control equipment or remedial actions, any of which could result in significant capital expenditures or reduced results or operations. See also "– Limited Recourse under Acquisition Agreements".

Under the terms of the agreement to acquire the assets of the Fortress Specialty Mill, we assumed responsibility for all existing environmental liabilities and no indemnity was obtained from the vendor. We have undertaken limited independent investigation of potential environmental liabilities. Although we are not aware of any potential material environmental liabilities, it is possible that we may incur significant costs in the future should any such liability be established.

Force Majeure and Natural Events

The occurrence of a significant event which disrupts the ability of our mill to produce or sell its pulp products for an extended period, including events which preclude its suppliers from providing fibre to our mill at historical levels, could have a material negative impact on the earnings of our mill. Similarly, the forest products industry is subject to natural events such as forest fires, adverse weather conditions, insect infestation and disease. The occurrence of any one of these events could have a material adverse effect on our business and financial condition.

Insurance and Uninsured Risks

Our business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to our mills, personal injury or death, environmental damage to our properties, delays in operations, monetary losses and possible legal liability.

Although we maintain insurance, there can be no assurance that we will not incur losses beyond the limits of, or outside the coverage of, such insurance. From time to time, various types of insurance for companies in paper industries have not been available on commercially acceptable terms or, in some cases, have been unavailable. For example, we do not insure and cannot obtain insurance against certain environmental risks as insurance is not available on commercially acceptable terms. In addition, there can be no assurance that in the future we will be able to maintain existing coverage or that premiums will not increase substantially.

Information Systems Security Threats

We use information technologies ("IT") to assist in managing our operations and various business functions. We rely on various IT to process, store and report on our business and to communicate electronically between our facilities, personnel, customers and suppliers. We also use IT to process financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. Our operations depend, in part, on how well we and our IT suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, telecommunications failure, hacking, computer viruses, vandalism and theft and other security issues or our IT systems may be breached due to employee error, malfeasance or other disruptions. Our operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, misappropriation of sensitive data, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact our reputation, business, financial condition and results of operations or subject us to civil or criminal sanctions.

Although we have not to date experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that we will not incur such losses in the future. Our risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Risks Relating to Global Economy

Historically, demand for pulp has principally been determined by general global macro-economic activities. Demand and prices for our product has historically decreased during economic slowdowns. A significant economic downturn may affect our sales and profitability generally. Further, our suppliers and customers may also be adversely affected by an economic downturn. Additionally, restricted credit and capital availability restrains our customers' ability or willingness to purchase our products resulting in lower revenues. Depending on their severity and duration, the effects and consequences of a global economic downturn could have a material adverse effect on our liquidity and capital resources, including our ability to raise capital, if needed, and otherwise negatively impact our business and financial results. Global financial conditions continue to be characterized as volatile. In recent years, global markets have been adversely impacted by the credit crisis that began in 2008, the European debt crisis and significant fluctuations in fuel and energy costs. Many industries have been impacted by these market conditions. Global financial conditions remain subject to sudden and rapid destabilizations in response to future events, as government authorities may have limited resources to respond to future crises. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect our growth and profitability. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on commodity prices, demand for our products, availability of credit, investor confidence, and general financial market liquidity, all of which may adversely affect our operations and the trading price of our securities.

Reputation

Damage to our reputation may arise from an incident or event which is in monetary terms not material. Matters which could affect our reputation include significant breaches of security or a contravention of law, such as environmental or health law or a failure to maintain appropriate standards of corporate responsibility.

Technology and Protection of Intellectual Property

Maintaining a competitive position requires us to maintain a technological lead by developing new features which meet market needs. Linked to maintaining a technological lead is the successful protection of intellectual property rights. Our ability to compete and the ability of the business to grow could suffer if these rights are not adequately protected.

To establish and protect our intellectual property rights, we rely on a combination of copyright, trade secret and trademark laws, patents, confidentiality procedures, contractual provisions, and other similar measures to protect our proprietary information, all of which offer only limited protection.

There can be no assurance that any patent applications will result in patents being issued or that current or additional patents will afford protection against competitors. No guarantee can be given that others will not independently develop substantially equivalent proprietary information or techniques, or otherwise gain access to our proprietary technology.

As patents or patent applications do not cover a significant part of our intellectual property, we seek to protect this proprietary intellectual property in part by confidentiality agreements with our customers, strategic partners, distributors and employees. These agreements afford limited protection and may not provide us with adequate remedies for any breach or prevent other persons or institutions from asserting rights to intellectual property arising out of these relationships.

Furthermore, effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which our products become available. The steps we have taken to protect our intellectual property may not prevent the misappropriation of proprietary rights or the reverse engineering of our technology. Moreover, others may independently develop technologies that are competitive with or superior to those of our Company or that infringe our intellectual property. The enforcement of our intellectual property rights may depend on us taking legal action against such infringing parties, and we cannot be sure that these actions will be successful, even when our rights have been infringed. Enforcing our rights to our technology could be costly, time-consuming and distracting. Any significant failure or inability to adequately protect our proprietary assets will harm our business and reduce our ability to compete.

In addition, non-Canadian courts are sometimes less willing than Canadian courts to protect trade secrets. If our competitors independently develop equivalent knowledge, methods and know-how, we may not be able to assert our trade secrets against them and our business could be harmed.

Limited Recourse under Acquisition Agreements

The investigations and reviews conducted in connection with the acquisition of our mill by us and the indemnification provided in the acquisition agreement may not be sufficient to protect us from, or compensate us for, all losses resulting from the acquisition.

With respect to the acquisition of the Fortress Specialty Mill, we acquired the assets free and clear of any encumbrance other than certain encumbrances transferred by application of applicable law. We took ownership of the Fortress Specialty Mill on an "as is, where is" basis with limited representations and warranties, including those relating to environmental liabilities, and with limited recourse against the vendor with respect to any of the purchased assets.

A material loss associated with the acquisition for which there is no adequate remedy under the acquisition agreement could materially and adversely affect our results of operations and financial condition.

Dilution

In order to finance future operations, we may raise funds through the issuance of common shares or the issuance of debt instruments or other securities convertible into common shares. We cannot predict the size of future issuances of common shares or the issuance of debt instruments or other securities convertible into common shares or the effect, if any, that future issuances and sales of our common shares or other securities will have on the market price of our common shares. Any transaction involving the issuance of previously authorized but unissued common shares, or securities convertible into common shares, would result in dilution, possibly substantial, to present and prospective holders of shares.

Dividends

The Company has not paid out any cash dividends to date and has no plans to do so in the immediate future. As a result, an investor's return on investment will be solely determined by his or her ability to sell common shares in the secondary market.

Conflicts of Interest

Certain of our directors and officers are directors or officers of, or have significant shareholdings in, other forest product companies, and to the extent that such other companies may participate in transactions in which we may participate, our directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such other companies may also compete with us for, among other things, the acquisition of certain supply agreements, acquisition targets and sales of similar products. In the event that any such conflict of interest arises, a director or officer who has such a conflict will disclose the conflict to a meeting of our directors and, if the conflict involves a director, the director will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, we will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. In accordance with the provisions of the BCA, our directors and officers are required to act honestly and in good faith with a view to the best interests of our Company. In determining whether or not we will participate in a particular transaction or agreement and the interest therein to be acquired by it, our directors will primarily consider the potential benefits to us, the degree of risk to which we may be exposed and our financial position at that time.

DIVIDENDS

We have not declared or paid any dividends on any of our common shares since incorporation, and do not foresee the declaration or payment of any dividends on our shares in the near future. Any decision to pay dividends on our common shares will be made by our board of directors (the "Board") on the basis of our earnings, financial requirements and other conditions existing at such future time and which the Board considers appropriate in the circumstances.

DESCRIPTION OF CAPITAL STRUCTURE

We are authorized to issue 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 (the "Preferred Shares"), of which 14,936,680 shares and no Preferred Shares are issued and outstanding as of the date of this Annual Information Form.

Common Shares

Holders of common shares are entitled to: (a) receive notice of and attend any meetings of our shareholders and are entitled to one vote for each common share held, except at meetings at which only holders of a specified class are entitled to vote; (b) the right to receive, subject to the prior rights and privileges attaching to any other class of our shares, including without limitation the rights of the holders of Preferred Shares, any dividend declared by us; and (c) the right to receive subject to the prior rights and privileges attaching to any other class of our shares, including without limitation the holders of Preferred Shares, our remaining property and assets upon dissolution. Subject to the provisions of the BCA, we may by special resolution fix, from time to time before the issue thereof, the designation, rights, privileges, restrictions, and conditions attaching to each series of our common shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion if any, and any sinking fund or other provisions. No special right or restriction attached to any issued shares shall be prejudiced or interfered with unless all shareholders holding shares of each class whose special right or restriction is so prejudiced or interfered with consent thereto in writing, or unless a resolution consenting thereto is passed at a separate class meeting of the holders of the shares of each such class by the majority required to pass a special resolution, or such greater majority as may be specified by the special rights attached to the class of shares of the issued shares of such class.

Preferred Shares

The Preferred Shares may, at any time and from time to time, be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the Board. Holders of Preferred Shares shall not be entitled to receive notice of and attend any meetings of our shareholders or to vote at any such meetings, except meetings at which only holders of Preferred Shares are entitled to vote. Holders of Preferred Shares are entitled to: (a) the right to receive, subject to the prior rights and privileges attaching to any other class of our shares, any dividend declared by us; and (b) the right to receive subject to the prior rights and privileges attaching to any other class of our shares, our remaining property and assets upon dissolution. Subject to the provisions of the BCA, we may by special resolution fix, from time to time before the issue thereof, the designation, rights, privileges, restrictions and conditions attaching to each series of the Preferred Shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion if any, and any sinking fund or other provisions. No special right or restriction attached to any issued shares shall be prejudiced or interfered with unless all shareholders holding shares of each class whose special right or restriction is so prejudiced or interfered with consent thereto in writing, or unless a resolution consenting thereto is passed at a separate class meeting of the holders of the shares of each such class by the majority required to pass a special resolution, or such greater majority as may be specified by the special rights attached to the class of shares of the issued shares of such class.

There are currently no Preferred Shares issued and outstanding.

Debentures

A complete description of the terms and conditions of our 2012 Debentures are contained, respectively, in the Debenture Indenture and the First Supplemental Debenture Indenture between the Company and Computershare Trust Company of Canada dated July 10, 2012, which is available on SEDAR at www.sedar.com.

MARKET FOR SECURITIES

Trading Price and Volume

Our common shares began trading on the TSX under the symbol "FTP" on June 28, 2007. In connection with the change of our name, on February 1, 2018 our common shares and 2012 Debentures began to trade on the Toronto Stock Exchange under the new symbols "FGE" and "FGE.DB.A", respectively. The following table provides the monthly high and low sales price and trading volume of our common shares and currently listed debentures from January 1, 2016 to December 31, 2017:

Trading Summary for FGE
Common Shares

	High ($)	Low ($)	Volume Traded (# of Shares)
2017			
January	8.70	6.84	142,841
February	8.50	7.60	87,394
March	8.33	7.52	150,170
April	8.49	7.60	96,421
May	7.68	5.75	359,159
June	7.32	6.00	98,821
July	6.50	5.97	37,971
August	6.22	4.64	110,104
September	5.50	4.85	115,757
October	4.90	3.75	491,389
November	4.20	2.91	286,425
December	4.75	3.15	109,477

Trading Summary for FGE.DB.A
2012 Debentures

	High ($)	Low ($)	Volume Traded (# of Debentures)[1]
2017			
January	93.98	89.00	38,180
February	95.78	93.49	16,510
March	95.97	94.53	20,650
April	96.64	95.01	14,270
May	96.00	95.00	15,110
June	95.01	92.82	19,360
July	95.00	93.00	8,370
August	93.50	89.00	16,940
September	92.01	90.49	4,100
October	91.89	90.00	3,740
November	90.51	81.01	16,255
December	88.60	82.00	10,710

(1) Based on $100 principal amounts as quoted on the TSX.

Prior Sales

The following table summarizes the issuances of our securities during the 2017 financial year, other than our common shares:

Date	Price per Security	Number and Type of Securities		Reason for Issuance
16-Jan-17	$ 7.33	13,761	Deferred Share Units[1]	Director Fees
22-Mar-17	$ 8.20	84,150	Stock Options	Executive Award
22-Mar-17	$ 8.27	4,860	Restricted Share Units[1]	Executive Bonus
17-Apr-17	$ 8.20	4,622	Deferred Share Units[1]	Director Fees
24-Apr-17	$ 7.79	3,851	Restricted Share Units[1]	Executive Award
15-May-17	$ 6.00	201,508	Stock Options	Executive Award
17-Jul-17	$ 6.12	5,636	Deferred Share Units[1]	Director Fees
21-Aug-17	$ 5.10	20,000	Stock Options	Executive Award

16-Oct-17	$ 4.67	8,698	Deferred Share Units(1)	Director Fees

(1) Issued in accordance with the terms of the Company's 2016 Long Term Incentive Plan (the "LTIP") and representing a right to receive one common share upon satisfaction of the vesting and other conditions set forth in the LTIP.

DIRECTORS AND EXECUTIVE OFFICERS

Our Board is comprised of six members as of the date of this Annual Information Form. The term of office for each of our directors will expire at the time of our next annual general meeting of shareholders. The following table sets forth the names, province or state and country of residence, positions held, dates of appointment and principal occupations for our directors and executive officers as at March 28, 2018:

Name and Province or State and Country of Residence	Current Position	Director or Executive Officer Since	Principal Occupations During the Past Five Years
Chadwick Wasilenkoff California, USA	Executive Chairman, President and Chief Executive Officer	August 1, 2006	Executive Chairman, President and Chief Executive Officer of the Company
Joe Nemeth British Columbia, Canada	Lead Director	October 17, 2012	Business Consultant. Previously, President and Chief Executive Officer of Catalyst Paper Corporation from October 2013 to October 2017.
Anil Wirasekara British Columbia, Canada	Director	May 3, 2013	Interim Chief Financial Officer of Maxar Technologies Ltd., formerly Macdonald Dettwiler & Associates Ltd. ("MDA"). Previously, Mr. Wirasekara served as Chief Financial Officer and Executive Vice President of MDA from 1994 to October 2017.
Terrence P. Kavanagh Ontario, Canada	Director	June 13, 2014	Independent Business Consultant to the pulp and paper industry. Previously, Mr. Kavanagh served as President of Tembec SAS, the European subsidiary of Tembec Inc., from 2009 to 2011.
Gerald Gaetz Ontario, Canada	Director	January 4, 2016	President and Chief Executive Office of Payments Canada.
Ezra Gardner Colorado, USA	Director	August 5, 2016	Partner and co-founder of Varana Capital, LLC a private investment firm. Prior to founding Varana, Mr. Gardner was Managing Partner for Omnium Capital, and previously held positions at UBS in New York, most recently as the Head of the US Equity Portfolio for the Fundamental Investment Group. While at UBS, Mr. Gardner also served as a member of the U.S. Trading Committee (the operating board of managers for UBS' U.S. Equities Business).
Kurt Loewen British Columbia, Canada	Chief Financial Officer	August 1, 2006	Executive officer of the Company.

Name and Province or State and Country of Residence	Current Position	Director or Executive Officer Since	Principal Occupations During the Past Five Years
Giovanni Iadeluca Québec, Canada	President of Fortress Specialty	October 3, 2016	President of Fortress Specialty. Previously, Mr. Iadeluca was the Chief Executive Officer of AV Terrace Bay Inc., a wholly owned subsidiary of the Aditya Birla Group. Prior to his role with AV Terrace Bay Inc., Mr. Iadeluca acted as Chief Executive Officer in two start-ups: Selenis Canada Inc. (a division of IMG Group) and PTT PolyCanada LP (a division of Shell Canada Ltd.).
Mark Kirby British Columbia, Canada	President and Chief Executive Officer of S2G	March 23, 2018	President and Chief Executive Officer of S2G since its founding in 2009. Prior to his role with S2G, Mr. Kirby was an executive with tech companies Ballard Power Systems, Questair Technologies and chemical company Praxair Inc. in British Columbia, Ontario and Connecticut.
Kenneth Leung British Columbia, Canada	Secretary and General Counsel	August 21, 2017	Executive officer of the Company. Previously, Mr. Leung was an associate at Hunter Litigation Chambers in Vancouver and an associate at Sullivan & Cromwell in New York City.
Marco Veilleux Québec, Canada	Vice President, Business Development and Strategic Projects	June 3, 2010	Executive Officer of the Company since April 2012. Previously, Mr. Veilleux served as Chief Operating Officer of Fortress Specialty between 2010 and 2012.

As at December 31, 2017, our directors and senior officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 4,021,573 (approximately 28.22%) of our issued and outstanding common shares on an undiluted basis.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of our knowledge, no director or executive officer is, as at the date of this Annual Information Form, or has been, within 10 years before the date of this Annual Information Form, a director, Chief Executive Officer ("CEO") or Chief Financial Officer ("CFO") of any company (including our Company) that:

- was the subject, while the director or executive officer was acting in the capacity as director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or

- was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO of such company.

To the best of our knowledge, no director, executive officer or a shareholder holding a sufficient number of our securities to affect materially the control of our Company:

- is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including our Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

- has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;

- has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

- has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Audit Committee

The audit committee meets with our auditor and is responsible for reviewing our interim and annual financial statements and making recommendations for the approval of such financial statements to our Board. Material issues related to the audit of our internal accounting controls and information systems are discussed with the audit committee as such issues arise. The audit committee has direct access to our auditors.

The audit committee charter sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointment and reporting to our Board. A copy of the audit committee charter is attached hereto as Appendix "A".

As of the date hereof, Anil Wirasekara is the Chairman of the audit committee. The other members of the audit committee are Gerald Gaetz and Ezra Gardner. Each member of the audit committee is "financially literate" and "independent" within the meaning of National Instrument 52-110 - "Audit Committees" ("NI 52-110").

Relevant Educational Experience. Set out below is a description of the education and experience of each audit committee member relevant to the performance of his responsibilities as an audit committee member:

Anil Wirasekara – Mr. Wirasekara is Interim Chief Financial Officer of Maxar Technologies Ltd., formerly MDA. Previously, Mr. Wirasekara served as Chief Financial Officer and Executive Vice President of MDA from 1994 to October 2017. Mr. Wirasekara joined MDA in 1992. Mr. Wirasekara's professional affiliations include the Chartered Institute of Management Accountants (UK), the Society of Management Accountants of British Columbia and the Institute of Chartered Accountants (Sri Lanka). Mr. Wirasekara is also a graduate of the Chartered Institute of Marketing and Management (UK). Prior to joining MDA, Mr. Wirasekara held a variety of financial management positions with a large multi-national organization and was with the Sri Lanka office of Ernst & Young.

Gerald Gaetz – Mr. Gaetz is President and CEO of Payments Canada. Previously, Mr. Gaetz held a number of executive roles at the Bank of Canada, including Chief of Currency, where he was responsible for the launch of Canada's new polymer banknote series and retail payments-related economic research. Mr. Gaetz is a member of the International Council of Payment Association Chief Executives, is on the advisory boards of two private companies, and is also a former member of the Banknote Ethics Initiative Accreditation Council. He also co-led the core leadership development program at the Gestalt International Study Center in Boston for three years. Mr. Gaetz holds an MBA from the University of Ottawa and is a Chartered Professional Accountant.

Ezra Gardner – Mr. Gardner has 17 years of experience in investment management as a founder, portfolio manager, and analyst of investment firms. Mr. Gardner is currently partner and co-founder of Varana Capital, LLC a private investment firm. Prior to founding Varana, Mr. Gardner was Managing Partner for Omnium Capital, and previously held positions at UBS in New York, most recently as the head of the U.S. Equity Portfolio for the Fundamental Investment

Group. While at UBS, Mr. Gardner also served as a member of the U.S. Trading Committee (the operating board of managers for UBS' U.S. Equities Business). Before joining UBS, Mr. Gardner held positions at Brahman Capital, a New York based value fund, MSD Capital (Michael Dell's Family Office) and at JPMorgan in the Investment Banking division with a focus on M&A and capital markets. Mr. Gardner earned a Bachelor of Arts in Economics with honors and a Bachelor of Arts in International Relations from Brown University in 1999.

Pre-Approval Policies and Procedures. The audit committee charter includes responsibilities regarding the provision of non-audit services by our external auditors. The audit committee charter states that the audit committee shall: (i) pre-approve the retention of the independent auditor for any non-audit services, including tax services, and the fees for such non-audit services which are provided to our Company or its subsidiaries; (ii) consider whether the provision of non-audit services is compatible with maintaining the auditor's independence; and (iii) if so determined by the audit committee, recommend that our Board take appropriate action to satisfy itself of the independence of the auditor.

Reliance of Certain Exemptions. At no time since the commencement of our most recently completed financial year have we relied on any exemption from NI 52-110.

Audit Committee Oversight. At no time since the commencement of our most recently completed financial year was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by our Board.

Audit Fees. The aggregate fees billed by our external auditor for audit services were $292,620 for the fiscal year ended December 31, 2017 and $296,253 for the fiscal year ended December 31, 2016.

Audit Related Fees. The aggregate fees billed for assurance and related services by our external auditor that were primarily related to the review of our financial statements were $143,380 for the fiscal year ended December 31, 2017 and $143,805 for the fiscal year ended December 31, 2016.

Tax Fees. The aggregate fees billed for professional services rendered by our external auditor for tax compliance, tax advice and tax planning were $168,650 for the fiscal year ended December 31, 2017 and $197,898 for the fiscal year ended December 31, 2016.

All Other Fees. The aggregate fees billed for services provided by our external auditor, other than for the services reported above, were $52,218 for the fiscal year ended December 31, 2017 and $16,192 for the fiscal year ended December 31, 2016.

Corporate Governance and Compensation Committee

As of the date hereof, Terrence Kavanagh is the Chairman of our Corporate Governance and Compensation Committee. The other members of our Compensation Committee are Joe Nemeth, Anil Wirasekara and Ezra Gardner. The Corporate Governance and Compensation Committee is appointed by the Board to discharge the Board's responsibilities relating to compensation of the Company's directors and officers. The Compensation Committee has overall responsibility for: (i) the making of recommendations to the Board regarding the hiring, appointment and termination of officers, executives and other key employees; (ii) advising the Board with respect to the filling of vacancies on the Board and making recommendations as to nominees for the Board; (iii) managing the corporate governance systems of the Board; and (iv) setting the compensation of the Company's directors and officers. The Corporate Governance and Compensation Committee has overall responsibility for: (i) ensuring that the Company meets applicable legal, regulatory and (self-regulatory) business principles and 'codes of best practice' of corporate behavior and conduct; and (ii) approving and evaluating the directors' and officers' compensation plans, policies and programs of the Company. The he Corporate Governance and Compensation Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company's management information circular or similar filings with regulatory authorities.

Capital Projects and Environment Health and Safety Committee

As of the date hereof, Joe Nemeth is the Chairman of our Capital Projects and Environment Health and Safety Committee. The other members of our Capital Projects and Environment Health and Safety Committee are Chadwick Wasilenkoff and Terrence Kavanagh. The Capital Projects and Environment Health and Safety Committee was appointed by the Board to discharge the Board's responsibilities relating to: (i) overseeing, reviewing, evaluation, monitoring and assessing the execution of significant capital projects of the Company; and (ii) assisting the Board in its oversight of reviewing and monitoring environment, health and safety, and other sustainability management systems, policies and programs of the Company.

Conflicts of Interest

There are potential conflicts of interest to which our directors and officers will be subject in connection with our operations. In particular, certain of our 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 our Company or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of our Company. See "Directors and Executive Officers". In accordance with the BCA, any director who has a material interest or any person who is a party to a material contract or a proposed material contract with us is required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, our directors are required to act honestly and in good faith with a view to the best interests of our Company. Certain of our directors and officers have either other employment or other business or time restrictions placed on them and accordingly these directors and officers will only be able to devote part of their time to our affairs.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We were not involved nor have been involved in any material legal or regulatory proceedings (including any such proceedings which are pending or threatened of which we are aware) within the preceding financial year, other than as set out below.

On March 29, 2011, we announced that Sateri (Shanghai) Management Limited and Sateri International (Singapore) Pte. Ltd. (together, "Sateri") had filed a statement of claim with the Supreme Court of British Columbia against Fortress, Fortress Specialty and one of Fortress Specialty's former officers (a former employee of Sateri), seeking, among other things, an injunction to cease the alleged use of its unspecified confidential information. In a judgment made on March 24, 2017, all claims against the Company were dismissed.

In 2013, Fortress Specialty commenced legal action in the Superior Court of Quebéc against Goulds Pumps Canada Inc. and ITT Goulds Pumps Inc. seeking, among other things, damages relating to delays with the start-up of the Cogeneration Facility. Although no trial date has yet been set, legal proceedings are advancing in the normal course.

Given the nature of the business environment in which we operate and the relative strength of our financial position, third parties may threaten or commence legal or regulatory proceedings against us in the ordinary course of our business. An adverse determination in litigation or regulatory proceedings could subject us to significant liabilities to third parties, and determinations will be subject to applicable rights of appeal. Although such disputes are often settled before trial, the costs associated with such arrangements may be substantial. We closely monitor the progress of all threatened litigation, and where our directors consider it appropriate, make the appropriate provisions and reserves in our financial statements.

REGISTRAR AND TRANSFER AGENT

Our registrar and transfer agent is Computershare Trust Company of Canada, 510 Burrard Street, 3rd Floor, Vancouver, British Columbia V6C 3B9.

INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of directors, executive officers, any shareholder who, to the best of our knowledge, beneficially owns, directly or indirectly, more than 10% of our outstanding common shares or any known associate or affiliate of any such persons, in any transaction since incorporation or in any proposed transaction which has materially affected or will materially affect our Company.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the following are the material contracts entered into by our Company during our most recently completed financial year, prior to the date of this Annual Information Form, or prior to the beginning of our most recently completed financial year and that are still in effect:

(a)	First Supplemental Debenture Indenture	Entered into between the Company and Computershare Trust Company of Canada dated July 10, 2012 in respect of the 2012 Debentures offering and, together with the Debenture Indenture between the Company and Computershare Trust Company of Canada dated December 22, 2011, providing the terms and conditions relating to the 2012 Debentures.
(b)	IQ Loan Agreement	Entered into between Fortress Specialty and IQ dated April 30, 2010, as amended.
(c)	Power Purchase Agreements	Entered into between Fortress Bioenergy and Hydro Québec, each as amended on July 15, 2015, providing for terms relating to the generation and purchase of power at the Cogeneration Facility.
(d)	IAM Credit Agreement	Entered into among Fortress Bioenergy, Fortress, Fortress Specialty and IAM Infrastructure Private Debt Fund LP dated January 19, 2017. See "General Development of the Business – Developments over the Financial Years Ended December 31, 2015 to 2017 – IAM Credit Agreement".
(e)	Share Purchase Agreement	Entered into among Fortress Security Papers AG, the Company, Swiss National Bank and Orell Fussli Holding AG, in respect of the sale of Landqart. See "General Development of the Business – Developments over the Financial Years Ended December 31, 2015 to 2017 – Sale of Landqart".
(f)	Credit Facility	Entered in to among Fortress Specialty and a private arm's length lender dated December 29, 2017. See "General Development of the Business – Developments over the Financial Years Ended December 31, 2015 to 2017 – Credit Agreement".
(g)	S2G Share Purchase Agreement	Entered into among Fortress, S2G and S2G's shareholders dated March 19, 2018. See "General Development of the Business – Recent Developments – Acquisition of S2G and New Xylitol Project".

INTERESTS OF EXPERTS

The Company’s auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants, who have prepared an independent auditor’s report dated March 15, 2018 in respect of the Company’s consolidated financial statements as at December 31, 2017 and December 31, 2016 and for years then ended. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Corporation within the meaning of the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

ADDITIONAL INFORMATION

Additional information regarding us, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, is contained in our information circular in respect of our most recent annual general and special meeting of shareholders of the Company held on May 23, 2017. Additional financial information is provided in our consolidated financial statements and related management's discussion and analysis for the fiscal year ended December 31, 2017, which have been filed with various securities commissions.

Additional information relating to our Company may be found on SEDAR at www.sedar.com.

APPENDIX A

FORTRESS GLOBAL ENTERPRISES INC.
(the "Corporation")

AUDIT COMMITTEE CHARTER

The Audit Committee is appointed by the Corporation's board of directors (the "Board") to assist the Board in monitoring: (1) the integrity of the financial statements of the Corporation; (2) the compliance by the Corporation with legal and regulatory requirements; and (3) the independence and performance of the Corporation's external auditors, which external auditors shall report directly to the Audit Committee.

The members of the Audit Committee shall meet the independence and experience requirements of applicable securities laws and any exchange or quotation system upon which the Corporation's securities are listed or quoted. The members of the Audit Committee shall be appointed by the Board.

The Audit Committee shall have the authority to retain independent legal, accounting or other consultants to advise the Committee as the Audit Committee determines necessary to carry out its duties and the Audit Committee shall have the authority to set and pay the compensation for any such advisors. The Audit Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

The Audit Committee shall make regular reports to the Board.

The Audit Committee shall:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

2. Review the annual audited financial statements, the interim financial statements, management's discussion and analysis with management and annual and interim earnings press releases, including major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the Corporation's financial statements. Such review must occur prior to the Corporation publicly disclosing any such information.

3. Ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements.

4. Review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including an analysis of the effect of alternative GAAP methods on the Corporation's financial statements.

5. Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.

6. Meet with management to review the Corporation's major financial risk exposures and the Corporation's internal controls.

7. Review major changes to the Corporation's internal controls and accounting principles and practices as suggested by the independent auditor, internal accounting or financial personnel or management.

8. Recommend to the Board the nomination and appointment of the independent auditor for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, which independent auditor is ultimately accountable to the Audit Committee and the Board.

9. Review the experience and qualifications of the senior members of the independent auditor team, the audit procedures of the independent auditor and the rotation of the lead partner and reviewing partner of the independent auditor.

10. Approve the compensation to be paid to the independent auditor for audit services.

11. Pre-approve the retention of the independent auditor for all audit and any non-audit services, including tax services, and the fees for such non-audit services which are provided to the Corporation or its subsidiary entities.

12. Receive periodic reports from the independent auditor regarding the auditor's independence, discuss such reports with the auditor, consider whether the provision of non-audit services is compatible with maintaining the auditor's independence and, if so determined by the Audit Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.

13. Evaluate together with the Board the performance of the independent auditor. If so determined by the Audit Committee, recommend that the Board replace the independent auditor.

14. Recommend to the Board guidelines for the Corporation's hiring of partners, employees and former partners and employees of the present and former independent auditor who were engaged on the Corporation's account.

15. Review the significant reports to management pertaining to the presentation and significant accounting policies of the Corporation's financial statements.

16. Obtain reports from management, the Corporation's senior accounting and financial personnel and the independent auditor that the Corporation and its subsidiaries are in conformity with applicable legal requirements, including disclosures of insider and affiliated party transactions.

17. Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee or anonymous complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting policies.

18. Review with the independent auditor any problems or difficulties the auditor may have encountered and any disagreements between the independent auditor and management of the Corporation and any management letter provided by the auditor and the Corporation's response to that letter. Such review should include:

    (a) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management;

    (b) The internal accounting and financial responsibilities; and

    (c) The investigation and implementation of the resolution of any disagreement between the independent auditor and the management of the Corporation.

19. Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations.

20. Meet at least quarterly with the Chief Financial Officer and the independent auditor in separate executive sessions.

21. Establish a procedure for:

    (a) The receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

    (b) The confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations.