

## FORTRESS ENERGY ANNOUNCES SALE OF OIL AND GAS ASSETS

THIS NEWS RELEASE IS NOT FOR DISSEMINATION IN THE UNITED STATES OR TO ANY UNITED STATES NEWS SERVICES.

Fortress Energy Inc. (FEI: TSX) (“Fortress” or the “Company”) is pleased to announce it has entered into a Purchase and Sale Agreement whereby Fortress will sell substantially all of its oil and gas properties to Terra Energy Corp. (“Terra”).

Subject to the provisions of a Purchase and Sale Agreement entered into on July 15, 2010, Fortress has agreed to sell substantially all of its oil and gas properties (other than its interests in the Pine Creek area) to Terra in exchange for \$25.6 million of cash and 5.0 million shares of Terra (the “Transaction”). Fortress can elect to receive up to 7.0 million shares of Terra and reduce the cash amount by each additional Terra share received at a deemed price of \$1.80 per Terra share. The Terra shares received by Fortress will be subject to a four month hold period. The Transaction is subject to the approval of Fortress shareholders at the annual and special meeting of Fortress shareholders expected to be held in the fourth week of August. A description of the Transaction and related matters will be included in an information circular of the Company to be mailed to Fortress shareholders. The information circular will also be available on SEDAR at [www.sedar.com](http://www.sedar.com). The Board of Directors, Management and major shareholders collectively representing 22% of the issued and outstanding shares of Fortress, have executed Support Agreements agreeing to vote in favour of the Transaction. The Transaction is scheduled to close on August 31, 2010.

The oil and gas properties being sold amount to approximately 9.9 mmcf/d of natural gas production (before third party royalties) and 90,240 net acres of undeveloped land. The oil and natural gas reserves based on a Sproule Associates Limited (“Sproule”) report effective December 31, 2009 are summarized below:

Fortress Interests in Oil and Gas Reserves				
Based on Forecast Prices and Costs				
	Light/Medium Oil (mdbl)	Natural Gas Liquids (mdbl)	Natural Gas (mmcf)	Barrels of Oil Equivalent (mboe)
Proved				
Producing	-	28.4	19,718	3,315
Non-Producing	-	3.7	1,615	273
Undeveloped	-	5.6	4,273	718
Total Proved	-	37.7	25,606	4,305
Probable	-	20.1	15,090	2,535
Total Proved and Probable	-	57.8	40,696	6,840

Notes:

- (1) In the case of boes, using boes derived by converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil (6 mcf:1 bbl). BOEs may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
- (2) Total values may not add due to rounding.
- (3) Company Interest consists of working interest and royalty interest before deduction of royalties payable.
- (4) Oil and gas reserves exclude estimates of reserves attributed to Pine Creek Property.

The cash proceeds from the Transaction will be used to repay bank indebtedness amounting to \$23.8 million. Fortress has a \$17.0 million demand operating facility and a \$7.0 million demand non-revolving loan facility which was due to be repaid on May 31, 2010. On July 7, 2010, the lender provided an extension of the repayment to August 31, 2010.

### **Remaining Fortress Assets**

Upon the completion of the Transaction, the assets remaining in Fortress will consist of the following:

#### *Forward Sale Contracts:*

Fortress has entered into a number of swap transactions that have resulted in a forward sale of 7,000 GJ/d at a price of 5.64/GJ to December 31, 2010, 7,000 GJ/d at a price of \$5.09/GJ from January 1, 2011 to March 31, 2011, and 5,000 GJ/d at a price of \$4.92/GJ from April 1, 2011 to December 31, 2011. The estimated mark-to-market value of the forward sale contracts is approximately \$2.2 million. In conjunction with the Transaction, Fortress is considering the sale of the forward sale contracts.

#### *Oil and Gas Assets – Pine Creek Area*

Fortress owns a 100% working interest in 640 acres in the Pine Creek area on which it has drilled a well testing the Gething zone. The reserves established in the Gething zone amount to 1,120 mmcf of probable undeveloped reserves as estimated by Sproule. The well encountered prospective gas bearing sand in the Wilrich formation. An average of 12.0 meters of prospective Wilrich pay has been mapped on Fortress land. Fortress is examining options to drill a horizontal extension of the well bore in the Wilrich zone followed by a multi-stage frac completion. There have been a number of wells in the area which have been successfully completed in the Wilrich formation.

#### *Biotechnology Investments*

Fortress owns shares in two privately held biotechnology companies, 1.9 million common shares of Alethia Biotherapeutics Inc. representing 13% of the outstanding shares and 6.5% of the fully diluted shares of Alethia and 625,000 common shares of Paloma Pharmaceuticals, Inc., representing 8.4% of the outstanding common shares. Fortress has held these investments since the recapitalization of Fortress in December 2003. Further information regarding the investments can be viewed at: <http://www.alethiabio.com> and <http://www.palomapharma.com>.

#### *Tax Pools*

Upon completion of the Transaction, Fortress will have approximately \$50 million of available tax pools to shelter future income.

### **Strategic Alternatives**

The Board of Directors will consider the strategic alternatives available to Fortress after completion of the Transaction which may include the distribution of the Terra shares to the Fortress shareholders.

### **About Terra Energy Corp.**

Terra is a junior exploration and production company engaged in the exploration for and development and production of natural gas and oil in Western Canada. Its operations are concentrated primarily in Northeastern British Columbia and the Peace River Arch region of Alberta. Its shares trade on the Toronto Stock Exchange under the symbol "TT". The combined production of Terra and the Fortress assets is approximately 8,000 boe/d and will have an undeveloped land inventory of over 600,000 net acres.

### **Caution to Reader**

This news release contains forward-looking information, including without limitation statements concerning the completion of the Transaction, the repayment of outstanding debt, the consideration of the sale of forward sale contracts, potential future exploratory drilling and other strategic alternatives including, without limitation, the distribution of Terra shares acquired at the closing of the Transaction to shareholders. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable by Fortress at the time of preparation, may prove to be incorrect. The actual results achieved in future periods will vary from the information provided herein and the variations may be material. In respect of the forward looking information provided herein, the Company has assumed, among other things that the Transaction will close, that funds will be available to repay outstanding bank debt and that the future courses of action and alternatives considered by Fortress will be available. There are risks associated with the forward looking statements including completion of the Transaction, the availability of sufficient funds to repay outstanding bank debt, the ability to find a purchaser for the forward sale contracts, the ability to finance future exploratory drilling and the availability of strategic alternatives. Consequently there is no representation by Fortress that it will close the proposed sale Transaction, repay outstanding bank debt or pursue any of the future courses of action or alternatives discussed herein.

In addition there is no representation by Fortress that the actual results achieved during future periods will be the same in whole or in part as the information contained herein.

This press release shall not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. The common shares of Fortress have not and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold in the United States or to any U.S. person except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

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