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FORTRESS ENERGY ANNOUNCES SECOND QUARTER 2010 FINANCIAL AND OPERATING RESULTS

Calgary, Alberta--(Marketwire – August 12, 2010) – Fortress Energy Inc. ("Fortress" or the "Company") (TSX: FEI) today announces its financial and operating results for the second quarter of 2010. The Company's financial statements, management's discussion and analysis and notes to the financial statements for the three and six months ended June 30, 2010 are available on the Company's website (www.fortressenergy.ca) or SEDAR (www.sedar.com).

Financial and Operating Summary

	Three months ended June 30, 2010		2009		Six months ended June 30, 2010		2009	
	(\$000s)	\$/Mcf	(\$000s)	\$/Mcf	(\$000s)	\$/Mcf	(\$000s)	\$/Mcf
Petroleum and natural gas sales	4,886	5.36	4,346	6.23	11,034	5.98	9,552	6.85
Royalties	(120)	(0.13)	(442)	(0.63)	(705)	(0.38)	(920)	(0.66)
Operating costs	(2,134)	(2.34)	(1,855)	(2.66)	(4,359)	(2.36)	(3,670)	(2.63)
Transportation	(345)	(0.38)	(249)	(0.36)	(693)	(0.38)	(495)	(0.36)
Operating netback ⁽¹⁾	2,287	2.51	1,800	2.58	5,277	2.86	4,467	3.20
General and administrative expenses	(691)	(0.76)	(639)	(0.92)	(1,414)	(0.78)	(1,361)	(0.97)
Professional fees	(199)	(0.22)	(337)	(0.48)	(297)	(0.16)	(488)	(0.35)
Bad debts	(4)	-	(37)	(0.05)	(7)	-	(179)	(0.13)
Interest expense	(237)	(0.26)	(212)	(0.30)	(691)	(0.37)	(453)	(0.32)
Current income tax expense	(100)	(0.11)	(18)	(0.03)	(113)	(0.06)	(36)	(0.03)
Funds from operations before transaction costs	1,056	1.16	557	0.80	2,755	1.49	1,950	1.40
Transaction costs	(59)	(0.06)	-	-	(553)	(0.30)	-	-
Funds from operations ⁽¹⁾	997	1.10	557	0.80	2,202	1.19	1,950	1.40
Unrealized gain (loss) on commodity contracts	(1,175)	(1.29)	(922)	(1.32)	1,086	0.59	1,496	1.07
Depletion, depreciation and accretion	(2,997)	(3.29)	(3,695)	(5.29)	(6,416)	(3.47)	(7,508)	(5.38)
Ceiling test impairment	(36,761)	(40.31)	(14,276)	(20.44)	(47,476)	(25.73)	(14,276)	(10.23)
Stock-based compensation expense	(49)	(0.05)	(48)	(0.07)	(143)	(0.08)	(127)	(0.09)
Loss before future income taxes	(39,985)	(43.84)	(18,384)	(26.32)	(50,747)	(27.50)	(18,465)	(13.23)
Future income tax reduction	-	-	3,779	5.41	750	0.41	3,867	2.77
Net loss	(39,985)	(43.84)	(14,605)	(20.91)	(49,997)	(27.09)	(14,598)	(10.46)
Sales volume (Mcf/d)	10,022		7,675		10,197		7,712	

⁽¹⁾ Non-GAAP measures. The terms "funds from operations" and "operating netback" are not recognized measures under GAAP. Management believes that in addition to net income, funds from operations and operating netback are useful supplemental measures as they provide an indication of the results generated by the Company's principal business activities before the consideration of how those activities are financed. Investors are cautioned, however, that these measures should not be construed as alternatives to net income determined in accordance with GAAP. The Company's method of calculating funds from operations may differ from that of other companies, and, accordingly it may not be comparable to measures used by other companies. The Company calculates funds from operations by taking cash flow from operating activities as determined under GAAP before changes in non-cash operating working capital and abandonment expenditures. Operating netback is calculated on a per Mcfe basis taking petroleum and natural gas sales and deducting royalties, operating expenses and transportation expenses.

Highlights

During the three months ended June 30, 2010, Fortress accomplished the following considered important by management:

- Achieved production volumes of 10.0 MMcfe/d for the quarter compared to 7.7 MMcfe/d for the second quarter of 2009 - an increase of 31 percent.
- Achieved funds from operations for the quarter of \$997,000 compared to \$557,000 for the second quarter of 2009 - an increase of 79 percent.
- AECO natural gas prices averaged \$3.89/Mcf for the second quarter. Fortress was able to realize the benefits of its forward sale to receive an average price of \$5.28/Mcf for the quarter.

Sale of Commodity Contracts

On July 21, 2010, the Company sold its commodity contracts for production periods beginning on or after September 1, 2010, for cash proceeds of \$2,009,000 which were used to reduce the Company's bank indebtedness.

Sale of Oil and Gas Assets

On July 15, 2010, the Company entered into a purchase and sale agreement to sell substantially all of its oil and gas assets, other than its interests in the Pine Creek area, to Terra Energy Corp. ("Terra") for proceeds of approximately \$32,850,000, consisting of \$25,600,000 of cash and 5,000,000 shares of Terra valued at \$1.45 per share (the "Transaction"). The Company can elect to receive up to 7,000,000 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 on August 25, 2010. The board of directors, management and major shareholders collectively representing 22 percent 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 cash proceeds will be used to repay bank indebtedness.

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

- (a) 5,000,000 common shares of Terra.
- (b) Approximately \$2,300,000 of cash and other working capital balances.
- (c) A 100 percent working interest in 640 acres in the Pine Creek area on which Fortress has drilled a well testing the Gething zone. The reserves established in the Gething zone amount to 1,120 MMcf of probable undeveloped reserves. The well encountered prospective gas bearing sand in the Wilrich formation. An average of 12 meters of prospective Wilrich pay has been mapped on Fortress lands. Fortress is examining options to drill a horizontal extension of the wellbore 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.
- (d) Shares in two privately held biotechnology companies, 1,900,000 common shares of Alethia Biotherapeutics Inc. representing 13 percent of the outstanding shares and 6.5 percent of the fully

diluted shares of Alethia and 625,000 common shares of Paloma Pharmaceuticals, Inc., representing 8.4 percent 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.alethiabiotech.com> and <http://www.palomapharma.com>.

- (e) Approximately \$50,000,000 of available tax pools to shelter future income.

Fortress shares will continue to trade on the TSX subject to the Company continuing to meet the minimum listing requirements. Following the completion of the Transaction, the Board will review all alternatives available which may include a sale of the Terra shares, a distribution of the Terra shares to the shareholders and/or recapitalization opportunities.

Natural Gas Price Outlook for 2010

The Company's views of natural gas price outlook and the North American natural gas supply and demand fundamentals can be obtained at:

<http://www.fortressenergy.ca/files/NANGM%20Aug6th%202010.ppt>

Natural Gas, Crude Oil and Natural Gas Liquids (NGL) Conversions

Certain crude oil and NGL volumes have been converted to cubic feet equivalent (cfe) on the basis of one barrel (bbl) to six thousand cubic feet (Mcf). Cfe may be misleading, particularly if used in isolation. A conversion ratio of one bbl to six Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalency at the well head.

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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