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## FORTRESS ENERGY ANNOUNCES FIRST QUARTER 2011 FINANCIAL AND OPERATING RESULTS

Calgary, Alberta--(Marketwire – June 28, 2011) – Fortress Energy Inc. ("Fortress" or the "Company") today announces its financial and operating results for the three months ended March 31, 2011. The Company's financial statements, management's discussion and analysis and notes to the financial statements for the three months ended March 31, 2011 are available on the Company's website ([www.fortressenergy.ca](http://www.fortressenergy.ca)) or SEDAR ([www.sedar.com](http://www.sedar.com)).

### HIGHLIGHTS

Three months ended March 31,	2011	2010
<b>Financial</b> (\$000's except per share amounts)		
Natural gas sales	78	4,986
Funds from (used in) operations: <sup>(1)</sup>		
Per share – basic	(671)	1,205
Per share – diluted	(0.01)	0.02
Net loss:	(0.01)	0.02
Per share – basic	(1,185)	(8,931)
Per share – diluted	(0.02)	(0.16)
Capital expenditures	(0.02)	(0.16)
Working capital (deficiency) <sup>(2)</sup>	4,166	(21,802)
<b>Operations</b>		
Average production:		
Natural gas (Mcf/d)	137	10,212
Natural gas liquids (bbl/d)	7	27
Total (Mcf/d)	162	10,374
Average sales price:		
Natural gas <sup>(3)</sup> (\$/Mcf)	3.90	6.49
Natural gas liquids (\$/bbl)	78.08	63.54
Total (\$/Mcf)	5.32	6.58
Operating netback <sup>(1)</sup> (\$/Mcf)	1.49	3.20

<sup>(1)</sup> Non-IFRS measures. The terms "funds from operations" and "operating netback" are not recognized measures under IFRS. 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 IFRS. 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 IFRS before changes in non-cash operating working capital and abandonment expenditures. Operating netback is calculated on a per Mcfe basis taking natural gas sales and deducting royalties, operating expenses and transportation expenses.

<sup>(2)</sup> Working capital (deficiency) is defined as current assets less current liabilities.

<sup>(3)</sup> Average sales price includes realized gains (losses) on commodities contracts.

## **CCAA Proceedings**

On March 2, 2011, Fortress applied to the Court of Queen's Bench of Alberta for an Order under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") staying all claims and actions against the Company and its assets and allowing the Company to prepare a plan of arrangement for its creditors if necessary. The Order was granted and was in effect until March 31, 2011. The Order was subsequently extended to May 27, 2011 and then to June 30, 2011, at which time the matter will be reviewed by the Court. While the Order is in effect the Company will work with a court-appointed monitor.

Fortress has taken this step to enable it to challenge a reassessment issued by the Canada Revenue Agency (the "CRA"), which reassessment is in the amount of approximately \$18,000,000 (in addition, the Company has received provincial reassessments based on the CRA reassessments of approximately \$6,200,000). As a result of the reassessment, if the Company took no action, it would be compelled to immediately remit \$9,000,000 to the CRA and the Company does not have the necessary funds to remit. Fortress believes that the CRA's position is not sustainable and is vigorously disputing the CRA's claim.

The reassessment denies the deduction of certain tax pools in SignalEnergy Inc.'s ("Signal") 2004, 2005 and 2006 taxation years on the basis that (i) those pools arose from expenses incurred prior to November of 2003 and (ii) that there was an acquisition of control of Signal (previously named SignalGene Inc.) in November of 2003. Signal was subsequently wound-up into Fortress.

Following the transactions that occurred in November of 2003, Signal was developed into an oil and gas company with over \$140,000,000 of oil and gas assets. On February 1, 2006, Signal received an unsolicited offer to acquire a substantial portion of its oil and gas assets for \$100,000,000 which transaction subsequently closed on March 10, 2006. Fortress used its available tax pools to reduce its taxable income from the proceeds of the disposition.

Management believes that no acquisition of control has occurred. Through a series of communications, including detailed written correspondence with the CRA, Fortress attempted to correct certain apparent factual misunderstandings that had led the CRA to determine that an acquisition of control had occurred. Unfortunately, notwithstanding the explanations by Fortress, the CRA issued the reassessments.

In addition to potential remedies that may be available under the CCAA, the Tax Act provides for at least two more levels at which this dispute can be considered. The first is at the appeals level with the CRA and, as a resolution at this level would resolve this matter most expeditiously; this is the avenue Fortress is pursuing at this time. If that process does not result in a successful resolution of this matter, Fortress can, and if necessary will, file an appeal to the Tax Court of Canada. While there is no certainty in the case of a CRA challenge, Fortress strongly believes that pursuit of this matter to a higher level should result in this matter being resolved in its favour.

As Fortress was a large corporation for purposes of the Tax Act in the taxation years that have been reassessed, under the relevant legislation the CRA is empowered to take action to collect 50 percent of the tax owing at any time during this dispute process (notwithstanding the ability of Fortress to challenge the reassessment and that no final legal determination of the matter has occurred). Due to the vast powers afforded to the CRA to collect this amount, and the severe adverse impact it would have on Fortress and its creditors if the CRA took any collection action without providing Fortress with reasonable notice, Fortress has taken action to protect stakeholders by voluntarily applying to the court for protection under CCAA.

## **Outlook**

An analysis of the North American natural gas prices can be found on the Company's web site at:

<http://www.fortressenergy.ca/files/Natural%20Gas%20Prices%20May%202011.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 CCAA proceedings, the CRA reassessment and resolution of the dispute with CRA, potential strategic alternatives, and natural gas prices, supply and demand. 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. There are risks associated with the forward-looking statements including there can be no assurance that a suitable transaction will be identified. Consequently there is no representation by Fortress that it will complete a transaction or pursue any of the future courses of action or alternatives discussed herein.

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.

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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