



MADISON'S TIMBER PREVIEW

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An important partnership, between the newly-formed Prima Colombia Hardwood, based in Vancouver, BC, and Pacific Lumber SAS, part of Colombia's Blue Pacific Assets Corp, is poised for major moves in harvesting exotic tropical hardwoods, specifically mahogany. At the crux of this new venture is cutting edge timber extraction technology, a low impact method of removing high value trees which requires no road building and leaves the surrounding juvenile trees intact. The new partnership provides for an exclusive 15 year lease to selectively harvest three million cubic metres of tropical premium Colombian hardwood from an area of 44.6 thousand hectares.

It is anticipated by insiders that the area will contain sustainable timber reserves of at least 31.5 million cubic metres.

Prima (PCT-TSX-V) was started September 22, 2010 when Hayes Forest Services, an old-time British Columbia coastal logging operation currently focussed on the development of in-house helicopter logging and other services, bought REM Forest Products, a Nova Scotia-based manufacturer and wholesaler of hardwood timber.

Hayes Forest Services, out of Duncan, BC continues to be privately owned by the third generation of the Hayes family. In 1922, Douglas Hayes developed the Hayes logging truck with the revolving bunk system, a design innovation that became the industry norm and is still widely used today. In 1957, the next Hayes generation commenced contract logging. Today, the company is the largest private forest services provider in BC.

Prima launched on the TSX September 23 with a share price of \$0.34. On December 7 the company acquired the 25 year, three million cubic metre timber harvest license in Colombia. January 21, Prima announced that effective with the opening of the market on January 24, 27.5 million common share purchase warrants will commence trading, and that each warrant entitled the holder to purchase one common share at a price of \$0.35 per share on or before September 21, 2015. By January 25, company share prices were at their record low, \$0.20. After some recovery, at market close Thursday, March 10, shares were at \$0.29.

On February 10 Prima announced that its Colombia operation's implementation was progressing with first revenue anticipated in 3Q 2011. Operations are planned for tree cutting to commence in May, helicopter harvesting in July and first log sales in August.

"The timber opportunity in Colombia is larger than anticipated. We are confident in our ability to build a strong tropical hardwood timber development, production and marketing company," reported CEO Donald Hayes. The company also indicated it was in advanced negotiations to further expand its timber reserves. A letter of intent between Prima and Pacific, signed March 4, anticipates the potential addition of rights to harvest up to 31.5 million cubic metres of timber. In consideration of these efforts, Prima will issue up to a maximum of 60 million common shares in the capital of Prima, which would represent 18 per cent of the issued and outstanding shares of Prima after their issuance.

Prima has first-mover status in Colombia with this cutting edge timber extraction technology. The company currently has a base camp in Colombia with 90 employees, including 72 Colombia nationals. Harvest planning and engineering have commenced using modern inventory recording technology.

They plan to harvest up to 70 cubic metres of timber per hectare of the forest of premium tropical hardwoods – and ship them to China, India and Korea. Global demand for hardwood has increased 25-fold over the last 40 years. A determined global crackdown on illegal logging has squeezed supply and is pushing timber prices to new highs.

Prima only operates in a sustainable manner to the highest environmental standards and is committed to social and community responsibility. Using selective, low intensity, helicopter logging – which is environmentally friendly and involves no “clear cutting” – Prima is a strong candidate to attract the interest of “Ethical” or “Green” Funds. These Socially Responsible Investing funds currently hold about US\$3 trillion worth of global assets. The sky is the limit, should Prima Colombia find favour with this highly-selective fund group.

Colombia, home to 6 per cent of the world's forests, is situated in the northwest corner of South America, spanning the link to Central America and facing both the Atlantic and the Pacific Oceans. The country is bisected vertically by two mountain ranges and incorporates snow-clad Andean peaks and lush jungles. It is a country rich in natural resources: coffee, fruit, emeralds, timber and oil.

Colombia is one of the richest countries in biodiversity in the world, comprising a total area of 114 million hectares land base and 12 million hectares of marineland. That diversity is represented in 56 natural areas belonging to the National Parks System. Almost 10 per cent of the land territory and 1.3 per cent of the marine territory in Colombia is preserved as National Parks.

Colombia maintains a significant portion of its original forest cover; approximately 50 per cent, or 55 million hectares, of the land base is natural forest, 50 per cent of which is found within ethnic territories primarily in the Chocó-Darién Ecoregion and the Amazon basin. Natural forests in Colombia supply about 80 per cent of the wood used in the country, as well as other products including medicine.

This rich biodiversity includes alluvial forests, tropical rain forests, mangrove forests, swamp forests and vegetation of the savannas of the Caribbean, Andean forests and tropical dry forests.

On August 25, 2009 the Colombian government, together with 24 public and private sector organizations, civil society representatives and consumers, signed "A Pact for Legal Timber in Colombia" to enhance forest management and conservation. Illegal timber exploitation and trade has increasingly been rejected by consumers and investors alike, particularly in European countries that traditionally import exotic hardwood product.

A global study published by the World Bank in 2006 estimated that illegal logging in Colombia reached 42 per cent of total timber production and trade, costing the country between US\$10 and \$15 billion. Precise measures are difficult to estimate given the tough conditions in forest regions of armed conflict and illicit crops, corruption and organized crime.

Clearly there is a timber asset base in Colombia, which has previously been exploited for ill-gotten gains. An established company, from one of the most ecologically-sustainable countries in the world, with a proven history of good forest management practices, and making inroads at harvesting that valuable timber supply without damaging the surrounding forest seems destined to do well for itself and investors alike. That is, of course, if they can get in and out of the jungle without being killed by the drug lords or guerrillas.

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Publisher

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