UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2016**

Commission File Number : **001-35278**

PRIMERO MINING CORP.

(Exact name of Registrant as specified in its charter)

British Columbia, Canada	**1040**	**Not Applicable**
(Province or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code)*	*(I.R.S. Employer Identification No.)*

79 Wellington Street West, TD South Tower
Suite 2100, Toronto, ON,
M5K 1H1, Canada
(416) 814 3160
(Address and telephone number of Registrant's principal executive offices)

Corporation Service Company
Suite 400, 2711 Centerville Road
Wilmington, Delaware 19808
(800) 927-9800
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to section 12(b) of the Act:

Title Of Each Class	Name Of Each Exchange On Which Registered
Common Shares, no par value	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form:

[X] Annual Information Form [X] Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the Company's classes of capital or common stock as of the close of the period covered by the annual report:
189,508,365 Common Shares as at December 31, 2016

Indicate by check mark whether the Company by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the " **Exchange Act** "). If "yes" is marked, indicate the file number assigned to the Company in connection with such Rule.
Yes [ ] No [X]

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the Company has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Company was required to submit and post such files).

Yes [ ] No [ ]

INTRODUCTORY INFORMATION

In this annual report on Form 40-F (the " **Annual Report** "), references to the " **Company** " or " **Primero** " mean Primero Mining Corp. and its subsidiaries, unless the context suggests otherwise.

Primero is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the " **Exchange Act** ") on Form 40-F pursuant to the multi-jurisdictional disclosure system (the " **MJDS** ") adopted by the United States Securities and Exchange Commission (the " **SEC** ") . The equity securities of the Company are further exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 of the Exchange Act.

ANNUAL INFORMATION FORM, AUDITED FINANCIAL STATEMENTS AND MD&A

The following documents of the Company are filed as exhibits to this Annual Report and incorporated by reference into this Annual Report:

Document	Exhibit No.
Annual Information Form of the Company for the year ended December 31, 2016 (the " **AIF** ")	99.1
Audited financial statements of the Company for the years ended December 31, 2016 and 2015, including the reports of independent registered public accounting firm with respect thereto	99.2
Management's Discussion and Analysis of the Company for the year ended December 31, 2016 and 2015 (the " **MD&A** ")	99.3

FORWARD-LOOKING STATEMENTS

This Annual Report includes or incorporates by reference certain statements that constitute "forward-looking statements" within the meaning of the United States *Private Securities Litigation Reform Act of 1995* . These statements appear in a number of places in this Annual Report and documents incorporated by reference herein and include statements regarding the Company's intent, belief or current expectation and those of the Company's officers and directors. These forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Annual Report or in documents incorporated by reference in this Annual Report, words such as "believe," "anticipate," "estimate," "project," "intend," "expect," "may," "will," "plan," "should," "would," "contemplate," "possible," "attempts," "seeks" and similar expressions are intended to identify these forward-looking statements. These forward-looking statements are based on various factors and were derived utilizing numerous assumptions that could cause the Company's actual results to differ materially from those expressed or implied in the forward-looking statements. Accordingly, readers are cautioned not to put undue reliance on these forward-looking statements.

Forward-looking statements include, among others, statements regarding:

- the ability of the Company to operate and expand production at its existing mines;
- the effect of mining techniques and methods such as long-hole mining or changing labour shifts;
- the ability of the Company to grow through acquisitions;
- the payment of taxes based upon the contracted price for silver under the Amended and Restated Silver Purchase Agreement;

- the ability to identify new Mineral Resources and convert Mineral Resources into Mineral Reserves;
- the Advance Pricing Agreement ("APA") and the Company's ability to defend its validity against the legal claim from the Mexican Tax authorities seeking to nullify the APA;
- the Company's ability to pay taxes in Mexico on realized silver prices;
- the Company's intentions to become an intermediate gold producer;
- the impact of estimation methodologies on mine and production planning;
- the ability to generate cash flows that exceed requirements;
- the timing and amount of capital expenditures and costs;
- the development of new mineral deposits;
- the Company's intention to replace the credit facility with a longer-dated loan;
- the ability of the Company to meet its financial obligations and return the San Dimas mine to profitability;
- the ability of the Company to renegotiate its collective bargaining agreement with its unionized employees at the San Dimas mine;
- expected ore grades, recovery rates and through-put;
- the ability of the Company to comply with environmental, safety and other regulatory requirements as well as the Company's policies in respect thereof;
- expected or proposed development or construction activities, and the expected costs thereof;
- expectations regarding currency fluctuations;
- the timing and results of union contract negotiations;
- title disputes relating to the Company's properties;
- the timing and possible outcome of pending litigation including securities class actions initiated against the Company in California;
- the Company's issuance of a Notice of Intent to submit a claim to international arbitration pursuant to NAFTA;
- future prices of precious and base metals;
- the ability of the Company to obtain government approvals or permits in connection with the continued operation and development of its operations, development project and exploration properties;
- the impact of any potential acquisitions and/or disposals pursuant to the strategic review on the business and operations of the Company;
- the ability of the Company to maintain effective internal control over financial reporting; and
- the ability for the Company to meet all NYSE listing requirements.

Such forward-looking information is based upon factors and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to uncertainties and contingencies, and, if incorrect, could cause actual future results to be materially different than expressed in the forward-looking statements. The assumptions and factors which may prove to be incorrect, include, but are not limited to:

- the specific assumptions set forth in the AIF and MD&A;
- the expectations and beliefs of management;
- assumptions relating to the availability of suitable mining assets for acquisition on reasonable terms;
- that labour disruptions are positively resolved and that there are no supply disruptions, damage to or loss of equipment, whether as a result of natural occurrences including flooding, political changes, title issues, intervention by local landowners, loss of permits, environmental concerns or otherwise;
- that development and expansion at the Company's operations and project proceeds on a basis consistent with current expectations and the Company does not change its expansion, development and exploration plans;
- that the exchange rate between the Canadian dollar, the Mexican peso and the United States dollar remain consistent with current levels or as set out in the AIF;
- that prices for gold and silver remain consistent with the Company's expectations;
- that prices for key mining supplies, including labour costs and consumables, remain consistent with the Company's current expectations;
- that the Company will be able to bring the San Dimas mine to profitability and that production meets expectations and is consistent with estimates;
- that plant, equipment and processes will operate as anticipated;
- that there are no material variations in the current tax and regulatory environment or the tax positions taken by the Company;
- that the Company will maintain access to surface rights;
- that the Company will be able to obtain and maintain government approvals or permits in connection with the continued operation and development of its existing operations, development and exploration activities;
- that the Company will be able to renegotiate its collective bargaining agreement with its unionized employees at the San Dimas mine;
- that the Company will be able to replace it with a longer-dated term loan; and
- that the Company can access adequate financing, appropriate equipment and sufficient labour, all at acceptable rates.

No assurance can be given that these assumptions will prove to be correct. These assumptions should be considered carefully by readers. Readers are cautioned not to place undue reliance on the forward-looking information and statements or the assumptions on which the Company's forward-looking information and statements are based.

Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Such risks include, but are not limited to:

- the volatility of prices of gold, silver and other metals;

- uncertainty of Mineral Reserves, Mineral Resources, Inferred Mineral Resources, the inability to realize exploration potential, mineral grades and mineral recovery estimates;
- uncertainty of future production, delays in completion of exploration and development plans for any reason including insufficient capital, delays in permitting, and labour disruptions;
- the ability to defend the validity of the APA and the continued ability to pay taxes on realized prices and defend against related securities litigation;
- inability to maintain or acquire attractive mining properties on terms it considers acceptable or at all;
- other risks inherent with acquisitions including integration inefficiencies and potential unknown liabilities associated therewith;
- the ability of the Company to comply with its obligations under material agreements, including financing agreements;
- the ability of the Company to replace its Credit Facilty with a longer-dated term loan;
- the ability of the Company to return the San Dimas mine to profitability and achieve projected gold and silver production, and gold and silver grades;
- projected cash costs of production, development and exploration, and capital expenditures may be greater than anticipated;
- currency fluctuations beyond those that are typical or anticipated;
- limitations on insurance coverage;
- commercial viability of mineral deposits;
- inability to complete any development project for any reason;
- risks associated with the adequacy of infrastructure, including interruptions in power supply;
- mining risks, including unexpected formations, cave-ins and voids, which delay operations or prevent extraction of material;
- risks associated with competition in the mining industry;
- risks associated with the ability to retain key executives and key operating personnel;
- risks associated with conflicting legal obligations of directors and officers of the Company who are directors and/or officers of other companies;
- risks associated with foreign operations;
- risks associated with the inability of the Company to renegotiate the collective bargaining agreement with its unionized employees at the San Dimas mine and adverse changes in labour laws or in the Company's labour relations, or labour disputes, accidents or other adverse safety incidents;
- title disputes or claims;
- changes in other regulations that result in increased costs;
- cost of environmental expenditures and potential environmental liabilities;

- dissatisfaction or disputes with local communities or first nations; and
- failure of plant, equipment or processes to operate as anticipated.

Should one or more of these risks and uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements.

Readers are advised to carefully review and consider the risk factors identified in the AIF under the heading "Risk Factors" and in the MD&A under the headings " *Risks and uncertainties* " and " *Other risks and uncertainties* " for a discussion of the factors that could cause the Company's actual results, performance and achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements. Readers are further cautioned that the foregoing list of assumptions and risk factors is not exhaustive and it is recommended that prospective investors consult the more complete discussion of the Company's business, financial condition and prospects that is included in the AIF and the MD&A. The forward-looking information and statements contained herein and in the AIF and the MD&A are made as of the date thereof and, accordingly, are subject to change after such date. The Company does not undertake any obligation to update any forward-looking information, except as, and to the extent, required by applicable securities laws, including applicable United States federal securities laws. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES

The disclosure in this Annual Report, including the documents incorporated by reference herein, uses terms that comply with reporting standards in Canada and certain estimates are made in accordance with Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (" **NI 43-101** "). NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates contained in or incorporated by reference in this Annual Report have been prepared in accordance with NI 43-101. These standards differ significantly from the requirements of the SEC, and reserve and resource information contained herein and incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies.

This Annual Report includes estimates of mineral reserves (" **Mineral Reserves** ") that have been calculated in accordance with NI 43-101, as required by Canadian securities regulatory authorities. For United States reporting purposes, SEC Industry Guide 7 under the Exchange Act, as interpreted by Staff of the SEC, applies different standards in order to classify mineralization as a reserve. As a result, the definitions of proven and probable reserves used in NI 43-101 differ from the definitions in SEC Industry Guide 7. Under SEC standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards. Accordingly, mineral reserve estimates contained in this Annual Report may not qualify as "reserves" under SEC standards.

In addition, this Annual Report uses the terms "measured mineral resources", "indicated mineral resources" and "inferred mineral resources" (together " **Mineral Resources** ") to comply with the reporting standards in Canada. The Company advises United States investors that while those terms are recognized and required by Canadian regulations, the SEC does not recognize them. United States investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves.

Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, United States investors are also cautioned not to assume that all or any part of the "inferred resources" exist. In accordance with Canadian securities laws, estimates of "inferred resources" cannot form the basis of feasibility or other economic studies, other than in certain limited circumstances.

It cannot be assumed that all or any part of "measured mineral resources", "indicated mineral resources", or "inferred mineral resources" will ever be upgraded to a higher category. Investors are cautioned not to assume that any part of the reported "measured mineral resources", "indicated mineral resources", or "inferred mineral resources" in this Annual Report is economically or legally mineable.

NI 43-101 also permits the inclusion of disclosure regarding the potential quantity and grade, expressed as ranges, of a target for further exploration provided that the disclosure (i) states with equal prominence that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as mineral resources, and (ii) states the basis on which the disclosed potential quantity and grade has been determined. Disclosure regarding exploration potential has been included in the Company's AIF and MD&A that are incorporated into this Annual Report. United States investors are cautioned that disclosure of such exploration potential is conceptual in nature by definition and there is no assurance that exploration of the mineral potential identified will result in any category of NI 43-101 Mineral Resources being identified.

In addition, disclosure of "contained ounces" is permitted disclosure under Canadian securities laws; however, the SEC only permits issuers to report mineralization as in place tonnage and grade without reference to unit measures.

For the above reasons, information contained in this Annual Report and the documents incorporated by reference herein containing descriptions of the Company's mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

NOTE TO UNITED STATES READERS REGARDING DIFFERENCES BETWEEN UNITED STATES AND CANADIAN REPORTING PRACTICES

International Financial Reporting Standards

The Company is permitted under the MJDS to prepare this Annual Report in accordance with Canadian disclosure requirements, which are different from those of the United States. Effective January 1, 2011, the Company began preparing its financial statements, which are filed with this Annual Report, in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (" **IFRS** "). Accordingly, the Company's financial statements are not comparable to financial statements of United States companies that report under generally accepted accounting principles in the United States.

CURRENCY

Unless otherwise indicated, all dollar amounts in this Annual Report are in United States dollars. The exchange rate of United States dollars into Canadian dollars, on December 30, 2016 based upon the noon rate as published by the Bank of Canada, was U.S.$1.00=CDN$1.3427. The exchange rate of United States dollars into Canadian dollars, on March 30, 2017 based upon the noon rate as published by the Bank of Canada, was U.S.$1.00=CDN$1.3279.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act to mean controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, and to provide reasonable assurance of achieving their objectives within the time periods specified in the SEC's rules and forms and includes, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Evaluation of Disclosure Controls and Procedures

At the end of the period covered by this annual report on Form 40-F, being the fiscal year ended December 31, 2016, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Interim Chief Executive Officer (" **Interim CEO** ") and Chief Financial Officer (" **CFO** "), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation the Interim CEO and the CFO have concluded that, as of the end of the period covered by this Annual Report, the Company's disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits to the SEC under the Exchange Act is:

- recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and
- accumulated and communicated to the Company's management, including its interim CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal Control over Financial Reporting

The Company is required under the Exchange Act to maintain internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act as a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that may have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Assessment of Effectiveness of Internal Control Over Financial Reporting

Management assessed the effectiveness of Primero's internal control over financial reporting as of December 31, 2016, based on the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, Management concluded that the Company's internal control over financial reporting was effective as of December 31, 2016.

Auditor's Attestation Report

The effectiveness of Primero's internal control over financial reporting as at December 31, 2016 has been audited by KPMG LLP, Primero's independent registered public accounting firm. This report is included in Exhibit 99.2.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2016, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including the interim CEO and CFO, does not expect that its disclosure controls and procedures or internal controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

NOTICES PURSUANT TO REGULATION BTR

The Company did not send any notices required by Rule 104 of Regulation BTR during the year ended December 31, 2016 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

CORPORATE GOVERNANCE

The Company's Board of Directors (the " **Board of Directors** ") is responsible for the Company's Corporate Governance policies and has separately designated the following committees:

- Human Resources Committee, as required by Section 303A.05 of the NYSE Listed Company Manual;
- Governance and Nominating Committee, as required by Section 303A.04 of the NYSE Listed Company Manual;
- Audit Committee, as required by Section 303A.06 of the NYSE Listed Company Manual; and
- Technical and Corporate Responsibility Committee

The Board of Directors has determined that all the members of the Human Resources, Governance and Nominating, and Audit Committees are independent, based on the criteria for independence prescribed by section 303A.02 of the NYSE Listed Company Manual and any applicable standards of the U.S. Securities and Exchange Commission.

Human Resources Committee

The Human Resources Committee is comprised of three independent directors:

- Robert Quartermain (chair);
- Michael Riley; and
- David Demers.

The terms of reference for the Human Resources Committee are available on the Company's website at www.primeromining.com.

Governance and Nominating Committee

The Governance and Nominating Committee is comprised of three independent directors:

- David Demers (Chair);
- Grant Edey; and
- Patricia Fortier

The terms of reference for the Governance and Nominating Committee are available on the Company's website at www.primeromining.com.

Technical and Corporate Responsibility Committee

The Technical and Corporate Responsibility Committee is comprised of five directors, four of whom are independent:

- Brad Marchant (Chair);
- Robert Quartermain;
- Joseph Conway;
- Patricia Fortier; and
- Grant Edey

AUDIT COMMITTEE

Composition of the Audit Committee

The Company's Board of Directors has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act and Section 303A.06 of the NYSE Listed Company Manual. The Company's Audit Committee is comprised of three directors that the Board of Directors have determined are independent as determined under each of Rule 10A-3 of the Exchange Act and Section 303A.02 of the NYSE Listed Company Manual:

- Michael Riley (Chair),
- Grant Edey; and
- Brad Marchant

All three members of the Audit Committee are financially literate, meaning they are able to read and understand the Company's financial statements and to understand the breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. The Audit Committee meets the composition requirements set forth by Section 303A.07 of NYSE Listed Company Manual.

Audit Committee Charter

The full text of the Charter for the Audit Committee is available on the Company's website at www.primeromining.com, or in print without charge to any shareholder that provides the Company with a written request addressed to the Company's Corporate Secretary.

Audit Committee Financial Expert

The Company's Board of Directors has determined that Michael Riley, chairman of the Audit Committee, is an audit committee financial expert (as that term is defined in Item 407 of Regulation S-K under the Exchange Act). A description of the education and experience of Mr. Riley is set forth in the AIF.

CODE OF ETHICS

Adoption of Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics (the " **Code of Ethics** ") for all its directors, executive officers and employees in accordance with Section 303A.10 of the NYSE Listed Company Manual. The Code of Ethics meets the requirements for a "code of ethics" within the meaning of that term in Form 40-F. The text of the Code of Ethics is posted on the Company's website at www.primeromining.com.

Amendments or Waivers

During the fiscal year ended December 31, 2016, the Company did not substantively amend, waive or implicitly waive any provision of the Code of Ethics with respect to any of the directors, executive officers or employees subject to it.

To the extent that the Company's board or a board committee determines to grant any waiver of the Code of Ethics for an executive officer or director, Section 303A.10 of the NYSE Listed Company Manual requires that the waiver must be disclosed to shareholders within four business days of such determination.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Principal Accountant Fees

The following table shows the aggregate fees billed to the Company by the external auditor, the Company's independent registered public accounting firms, in each of the last two years:

	Year Ended December 31	
	2016 [(1)]	**2015** [(1)]
Audit Fees [(2)]	$ 761,142	$ 722,625
Audit Related Fees [(3)]	0	0
Tax Fees [(4)]	78,433	152,009
All Other Fees [(5)]	0	0
Total	**$ 839,575**	**$ 874,634**

Notes:

(1) All amounts in Canadian dollars.

(2) Audit fees represent the aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the review and audit of the Company's interim and annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

(3) Audit-related fees represent the aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees" above .

(4) Tax fees represent the aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning.

(5) Other fees would include transaction related services.

Pre-Approval of Audit and Non-Audit Services Provided by Independent Registered Public Accounting Firm

The Audit Committee pre-approves all audit services to be provided to the Company by its independent registered public accounting firm. Non-audit services that are prohibited to be provided to the Company by its independent registered public accounting firm may not be pre-approved. In addition, prior to the granting of any pre-approval, the Audit Committee must be satisfied that the performance of the services in question will not compromise the independence of the independent registered public accounting firm. All non-audit services performed by the Company's independent registered public accounting firm for the fiscal year ended December 31, 2016 were pre-approved by the Audit Committee of the Company. No non-audit services were approved pursuant to the *de minimis* exemption to the pre-approval requirement.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any "off-balance sheet arrangements", as defined in General Instruction B(11) to Form 40-F, that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

CONTRACTUAL OBLIGATIONS

The following table presents information with respect to the Company's known contractual obligations as at December 31, 2016:

(in thousands of U.S. dollars)	Within 1 year	2-5 years	Over 5 years	**Total**
Trade and other payables and accrued liabilities	$31,667	$-	$-	**$31,667**
Share based payments	115	-	-	**115**
5.75% Convertible debentures and interest	4,313	84,322	-	**88,635**
Revolving line of credit and interest	50,811	-	-	**50,811**
Finance lease payments	1,202	406	-	**1,608**
Minimum rental and operating lease payments	1,430	1,788	-	**3,218**
Reclamation and closure cost obligations	2,427	2,352	45,394	**50,173**
Commitment to purchase plant and equipment	516	-	-	**516**
Total	$92,481	$88,868	$45,394	**$226,743**

NYSE CORPORATE GOVERNANCE

The Company's common shares are listed on the NYSE. Section 303A.11 of the NYSE Listed Company Manual permits foreign private issuers to follow home country practices in lieu of certain provisions of the NYSE Listed Company Manual. A foreign private issuer that follows home country practices in lieu of certain provisions of the NYSE Listed Company Manual must disclose any significant ways in which its corporate governance practices differ from those followed by domestic companies either on its website or in the annual report that it distributes to shareholders in the United States. A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to NYSE listing standards is set forth on the Company's website at www.primeromining.com.

In addition, the Company may from time-to-time seek relief from NYSE corporate governance requirements on specific transactions under Section 303A.11 of the NYSE Listed Company Manual, in which case, the Company shall make the disclosure of such transactions available on its website at www.primeromining.com. Information contained on the Company's website is not part of this annual report on Form 40-F.

MINE SAFETY DISCLOSURE

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (" **Dodd-Frank Act** "), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities under the regulation of the Federal Mine Safety and Health Administration under the Federal Mine Safety and Health Act of 1977. The Company did not have any mines in the United States during the fiscal year ended December 31, 2016.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

Undertaking

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to:

- the securities registered pursuant to Form 40-F;
- the securities in relation to which the obligation to file an annual report on Form 40-F arises; or
- transactions in said securities.

Consent to Service of Process

Concurrently with the filing of its Registration Statement on Form 40-F with the SEC on August 11, 2011, the Company filed an Appointment of Agent for Service of Process and Undertaking on Form F-X signed by the Company and its agent for service of process with respect to the class of securities in relation to which the obligation to file this Annual Report on Form 40-F arises.

Any change to the name or address of the Company's agent for service shall be communicated promptly to the Commission by amendment to Form F-X referencing the file number of the Company.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: March 31, 2017

PRIMERO MINING CORP.

By: /s/ Joseph Conway
Joseph Conway
Interim President and Chief Executive Officer

EXHIBIT INDEX

Exhibit Number	Exhibit Description
Principal Documents	
99.1	Annual Information Form of the Company for the year ended December 31, 2016 [(1)]
99.2	Audited financial statements of the Company and the notes thereto for the fiscal years ended December 31, 2016 and 2015, together with the reports of the independent registered public accounting firm thereon [(1)]
99.3	Management's Discussion and Analysis of the Company for the years ended December 31, 2016 and 2015 [(1)]
Certifications	
99.4	Certification of Interim President and Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act [(1)]
99.5	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act [(1)]
99.6	Certification of Interim President and Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 [(1)]
99.7	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 [(1)]
Consents	
99.8	Consent of KPMG LLP dated March 31, 2017 [(1)]
99.9	Consent of J. Morton Shannon dated March 31, 2017 [(1)]
99.10	Consent of Rodney Webster dated March 31, 2017 [(1)]
99.11	Consent of Timothy Carew dated March 31, 2017 [(1)]
99.12	Consent of Thomas Dyer dated March 31, 2017 [(1)]
99.13	Consent of Peter Hayward dated March 31, 2017 [(1)]
99.14	Consent of John Skeet dated March 31, 2017 [(1)]
99.15	Consent of Gabriel Voicu dated March 31, 2017 [(1)]
99.16	Consent of Harold Brisson dated March 31, 2017 [(1)]
99.17	Consent of Patrick McCann dated March 31, 2017 [(1)]

Exhibit Number	Exhibit Description
99.18	Consent of Dave Laudrum dated March 31, 2017 [(1)]

(1) Filed as an Exhibit to this Annual Report to Form 40-F

ANNUAL INFORMATION FORM

FOR THE YEAR-ENDED DECEMBER 31, 2016

MARCH 31, 2017

PRIMERO MINING CORP.
Suite 2100, 79 Wellington Street West
TD South Tower
Toronto, Ontario, Canada M5K 1H1

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INTRODUCTORY NOTES

Cautionary Note Regarding Forward-Looking Statements

Capitalized terms used in this section are as defined in the following sections of this annual information form ("Annual Information Form" or "AIF"): Corporate Structure and General Development of the Business and Mining Activities.

This AIF contains "forward-looking information" and "forward-looking statements within the meaning of applicable United States and Canadian securities laws. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "intends", "may", "will", "should", "plans", "anticipates", "potential", "expects", "estimates", "forecasts", "budget", "likely", "goal" and similar expressions or statements that certain actions, events or results may or may not be achieved or occur in the future. In some cases, forward-looking information may be stated in the present tense, such as in respect of current matters that may be continuing, or that may have a future impact or effect. Forward-looking statements reflect our current expectations and assumptions, and are subject to a number of known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements.

Forward-looking statements in this AIF include those that relate to: the ability of the Company to operate and expand production at its existing mines; the effect of mining techniques and methods such as long-hole mining or changing labour shifts; the ability of the Company to grow through acquisition; the ability to identify new Mineral Resources and convert Mineral Resources into Mineral Reserves; the Advance Pricing Agreement ("APA") and the Company's ability to defend its validity against the legal claim from the Mexican Tax authorities seeking to nullify the APA; the Company's ability to pay taxes in Mexico on realized silver prices; the Company's intentions to become an intermediate gold producer; the impact of estimation methodologies on mine and production planning; the ability to generate cash flows that exceed requirements; the timing and amount of capital expenditures and costs; the development of new mineral deposits; the Company's ability to replace the credit facility with a longer-dated loan; the Company's ability to meet its financial obligations and to return the San Dimas mine to profitability; the Company's intentions to complete future financings to raise additional capital as needed; expected ore grades, recovery rates and through-put; the ability of the Company to comply with environmental, safety and other regulatory requirements as well as the Company's policies in respect thereof; expected or proposed development or construction activities, and the expected costs thereof; expectations regarding currency fluctuations; the timing and results of union contract negotiations; title disputes relating to the Company's properties; the timing and possible outcome of pending litigation including securities class actions initiated against the Company in California; the Company's issuance of a Notice of Intent to submit a claim to international arbitration pursuant to NAFTA; the ability of the company to meet all NYSE listing requirements; future prices of precious and base metals; the ability of the Company to obtain and maintain government approvals or permits in connection with the continued operation and development of its operations, development project and exploration properties; the impact of the acquisitions on the business and operations of the Company; and the ability of the Company to maintain effective internal control over financial reporting.

Such forward-looking information is based upon factors and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to uncertainties and contingencies, and, if incorrect, could cause actual future results to be materially different than expressed in the forward-looking statements. The assumptions and factors which may prove to be incorrect, include, but are not limited to: the specific assumptions set forth in this AIF; the expectations and beliefs of management; assumptions relating to the availability of suitable mining assets for acquisition on reasonable terms; that there are no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, damage to or loss of equipment, whether as a result of natural occurrences including flooding, political changes, title issues, intervention by local landowners, loss of permits, environmental concerns or otherwise; that development and expansion at the Company's operations and project proceeds on a basis consistent with current expectations and the Company does not change its development and exploration plans; that the exchange rate between the Canadian dollar, the Mexican peso and the United States dollar remain consistent with current levels or as set out in this AIF; that prices for gold and silver remain consistent with the Company's expectations; that prices for key mining supplies, including labour costs and consumables, remain consistent with the Company's current expectations; that production meets expectations and is consistent with estimates; that plant, equipment and processes will operate as anticipated; that there are no material variations in the current tax and regulatory environment or the tax positions taken by the Company; that the Company will maintain access to surface rights; that the Company will be able to obtain and maintain government approvals or permits in connection with the continued operation and development of its existing operations, development and exploration activities; that the Company will be able to replace the credit facility with a longer dated loan; that the Company will be able to meet its financial obligations; that the Company will be able to renegotiate the collective bargaining agreement with its unionized employees at the San Dimas mine; that the Company will be able to return the San Dimas mine to profitability; that the Company will be able to meet all NYSE listing requirements; and that the Company can access adequate financing, appropriate equipment and sufficient labour, all at acceptable rates. No assurance can be given that these assumptions will prove to be correct. These assumptions should be considered carefully by readers. Readers are cautioned not to place undue reliance on the forward-looking information and statements or the assumptions on which the Company's forward-looking information and statements are based.

Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Such risks include, but are not limited to: the volatility of prices of gold, silver and other metals; uncertainty of Mineral Reserves, Mineral Resources, Inferred Mineral Resources, the inability to realize exploration potential, mineral grades and mineral recovery estimates; uncertainty of future production, delays in completion of expansion, exploration and development plans for any reason including insufficient capital, delays in permitting, and labour issues; our ability to defend the validity of the APA and defend against related securities litigation; inability to maintain or acquire attractive mining properties on terms it considers acceptable or at all; other risks inherent with acquisitions including integration inefficiencies and potential unknown liabilities associated therewith; the ability of the Company to comply with its obligations under material agreements including financing agreements; the inability of the Company to replace the existing credit facility with a longer dated loan; the inability of the Company to meet all NYSE listing requirements; the inability of the Company to renegotiate its collective bargaining agreement with its unionized employees at the San Dimas mine; the inability of the Company to return the San Dimas mine to profitability; the ability of the Company to achieve projected gold and silver production, and gold and silver grades; projected cash costs of production, development and exploration, and capital expenditures may be greater than anticipated; currency fluctuations beyond those that are typical or anticipated; limitations on insurance coverage; commercial viability of mineral deposits; inability to complete any development projects for any reason; risks associated with the adequacy of infrastructure, including interruptions in power supply; mining risks, including unexpected formations, cave-ins and voids, which delay operations or prevent extraction of material; risks associated with competition in the mining industry; risks associated with the ability to retain key executives and key operating personnel; risks associated with conflicting legal obligations of directors and officers of the Company who are directors and/or officers of other companies; risks associated with foreign operations; adverse changes in labour laws or in the Company's labour relations, or labour disputes, accidents or other adverse safety incidents; title disputes or claims; changes in other regulations that result in increased costs; cost of environmental expenditures and potential environmental liabilities; dissatisfaction or disputes with local communities or first nations; and failure of plant, equipment or processes to operate as anticipated. Should one or more of these risks and uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements.

Readers are advised to carefully review and consider the risk factors identified in this AIF under the heading "Risk Factors" for a discussion of the factors that could cause the Company's actual results, performance and achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements. Readers are further cautioned that the foregoing list of assumptions and risk factors is not exhaustive and it is recommended that prospective investors consult the more complete discussion of the Company's business, financial condition and prospects that is included in this AIF. The forward-looking information and statements contained in this AIF are made as of the date hereof and, accordingly, are subject to change after such date. The Company does not undertake any obligation to update any forward-looking information, except as, and to the extent, required by applicable securities laws. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

Cautionary Notes to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources

The disclosure in this AIF uses terms that comply with reporting standards in Canada and certain estimates are made in accordance with National Instrument 43-101 - *"Standards of Disclosure for Mineral Projects"* ("NI 43-101"). NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all mineral reserve and mineral resource estimates contained in or incorporated by reference in this AIF have been prepared in accordance with NI 43-101. These standards differ significantly from the requirements of the United States Securities and Exchange Commission (the "SEC"), SEC Industry Guide 7 under the *United States Securities and Exchange Act of 1934* , as amended ("Guide 7") and mineral reserve and mineral resource information contained herein and incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies.

This AIF uses the terms "Mineral Reserve", "Proven Mineral Reserve" and "Probable Mineral Reserve" which are terms defined in the Canadian Institute of Mining, Metallurgy and Petroleum which were adopted by the Canadian Securities Administrators' NI 43-101 (see Schedule "A" –Technical Definitions). Under SEC-Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards. Accordingly, Mineral Reserve estimates contained in this AIF may not qualify as "reserves" under SEC standards. In addition, disclosure of "contained ounces" is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report mineralization as in place tonnage and grade without reference to unit measures.

This AIF also uses the terms "Mineral Resources", "Indicated Mineral Resources" and "Inferred Mineral Resources". We advise investors that while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. Inferred Mineral Resources have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian securities laws, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies, except in limited circumstances. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. None of the following mineralization has been demonstrated to be ore nor is considered to be a Mineral Reserve. Investors are cautioned not to assume that all or any part of Measured Mineral Resources or Indicated Mineral Resources will ever be converted into Mineral Reserves. Investors are also cautioned not to assume that any part or all of an Inferred Mineral Resource exists, or is economically or legally mineable. See "Risk Factors".

NI 43-101 also permits the inclusion of disclosure regarding the potential quantity and grade, expressed as ranges, of a target for further exploration provided that the disclosure (i) states with equal prominence that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the target being delineated as a Mineral Resource, and (ii) states the basis on which the disclosed potential quantity and grade has been determined. Disclosure regarding exploration potential has been included in this AIF. United States investors are cautioned that disclosure of such exploration potential is conceptual in nature by definition and there is no assurance that exploration of the mineral potential identified will result in any category of Mineral Resources being identified.

For the above reasons, information contained in this Annual Information Form may not be comparable to similar information disclosed by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations promulgated thereunder.

Currency

Unless otherwise stated, references herein to "$" are to the United States dollar. References to "CDN$" are to the Canadian dollar. References to "- [amount] pesos" or to "pesos" are to the Mexican peso. The following table reflects the low and high rates of exchange for one United States dollar, expressed in Canadian dollars, during the periods noted, the rates of exchange at the end of such periods and the average rates of exchange during such periods, based on the Bank of Canada noon spot rate of exchange.

	Year ended December 31		
	2016	**2015**	**2014**
Low for the period	$ 1.2544	$ 1.1728	$ 1.0614
High for the period	1.4589	1.3990	1.1643
Rate at the end of the period	1.3427	1.3840	1.1601
Average noon spot rate for the period	1.3248	1.2787	1.1045

On March 30, 2017, the Bank of Canada noon spot rate of exchange was $1.00 – CDN$1.3279.

Gold and Silver Prices

Gold Prices

The low, high, average and closing afternoon fixing gold prices in United States dollars per troy ounce for each of the three years ended December 31, as quoted by the London Bullion Market Association, were as follows:

	Year ended December 31		
	2016	2015	2014
Low for the period	$ 1,077	$ 1,049	$ 1,142
High for the period	1,366	1,296	1,385
Average for the period	1,251	1,160	1,266
Closing for the period	1,146	1,062	1,206

On March 30, 2017, the closing afternoon fixing gold price in United States dollars per troy ounce, as quoted by the London Bullion Market Association, was $1,249.

Silver Prices

The low, high, average and closing afternoon fixing silver prices in United States dollars per troy ounce for each of the three years ended December 31, as quoted by the London Bullion Market Association, were as follows:

	Year ended December 31		
	2016	2015	2014
Low for the period	$ 13.58	$ 13.71	$ 15.28
High for the period	20.71	18.23	22.05
Average for the period	17.14	15.68	19.08
Closing for the period	16.24	13.82	15.97

On March 30, 2017, the closing afternoon fixing silver price in United States dollars per troy ounce, as quoted by the London Bullion Market Association, was $18.10.

CORPORATE STRUCTURE

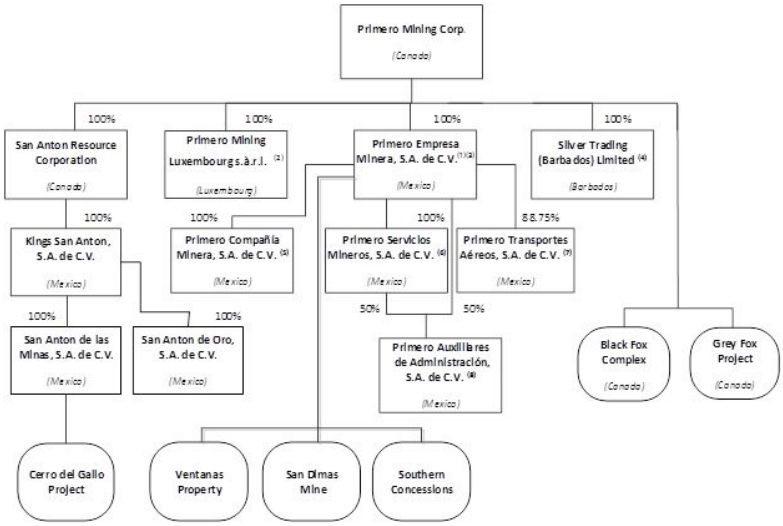
Primero Mining Corp. is incorporated under the British Columbia *Business Corporations Act* (the "Act"). On August 6, 2010, the Company acquired the San Dimas Mine (the "San Dimas Mine"), mill and related assets (collectively the "San Dimas Assets") from Desarrollos Mineros San Luis, S.A. de C.V. ("DMSL") and the shares of Silver Trading (Barbados) Limited ("Silver Trading") from Goldcorp Silver (Barbados) Ltd. ("GSBL"), each indirect, wholly-owned subsidiaries of Goldcorp Inc. ("Goldcorp"). On May 22, 2013, Primero acquired a 69.2% interest in the Cerro del Gallo project ("Cerro del Gallo Project") by acquiring all of the shares of Cerro Resources NL ("Cerro"), a mining company listed on Australian Securities Exchange ("ASX"). On December 19, 2013, the Company acquired the remaining 30.8% interest in the Cerro del Gallo Project from a subsidiary of Goldcorp. See "General Development of the Business – Three Year History – Acquisition of Cerro del Gallo".

On March 5, 2014, the Company acquired all of the shares of Brigus Gold Corp. ("Brigus") which owned a 100% interest in the Black Fox mine, mill and related assets (collectively the "Black Fox Complex"). See "General Development of the Business – Three Year History – Acquisition of Black Fox Complex". Brigus was renamed Primero Gold Canada Inc. on March 28, 2014.

Effective January 1, 2015, Primero Mining Corp. and Primero Gold Canada Inc. amalgamated under the name of Primero Mining Corp.

In this AIF, the terms “Company” or “Primero” refer to Primero Mining Corp. and all its subsidiaries together unless the context otherwise clearly requires. Certain terms used herein are defined in the disclosure to which the term relates.

Primero has four principal, wholly-owned subsidiaries: Primero Empresa Minera, S.A. de C.V. (“Primero Empresa”), which is incorporated under the laws of Mexico; Silver Trading, which is incorporated under the laws of Barbados; Primero Mining Luxembourg s.à.r.l., which is incorporated under the laws of Luxembourg; and San Anton Resource Corporation, which is incorporated under the laws of Canada. The following chart shows the organization of Primero and the ownership of its mineral properties.



(1) Martin Aguilar, the General Manager of the Company and a Mexican resident, holds one share to meet Mexican corporate legal requirements.
(2) Primero Mining Luxembourg s.à.r.l. is a holding company used by the Company to finance its operations.
(3) Primero Empresa Minera, S.A. de C.V. is the owner and operator of the San Dimas Mine.
(4) Silver Trading (Barbados) Limited is a trading and holding company.
(5) Primero Compañía Minera, S.A. de C.V. is a service company.
(6) Primero Servicios Mineros, S.A. de C.V. is a service company.
(7) Primero Transportes Aéreos, S.A. de C.V. is an air taxi service company. The remaining 11.25% of shares are held by a nominee to meet Mexican corporate legal requirements.
(8) Primero Auxiliares de Administración, S.A. de C.V. is a service company.

The head office of Primero is located at Suite 2100, 79 Wellington Street West, TD South Tower, Toronto, Ontario, Canada, M5K 1H1, telephone (416) 814-3160, facsimile (416) 814-3170. The Company’s registered office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7, telephone (604) 689-9111, facsimile (604) 685-7084. The Company’s website address is www.primeromining.com .

GENERAL DEVELOPMENT OF THE BUSINESS

Corporate Strategy

Over the past few years, Primero has evolved from a single-asset gold and silver producer listed on the Toronto Stock Exchange (the "TSX") and the New York Stock Exchange ("NYSE") into a multi-asset, multi-jurisdiction gold and silver producer with two producing mines and significant exploration potential.

Prior to 2012, Primero had only one producing asset and one exploration property, both in Mexico, the San Dimas Mine and the Ventanas property. Since then, Primero has grown in size and diversity through several acquisitions. In 2013, Primero acquired an advanced stage development property in Mexico, the Cerro del Gallo Project in Guanajuato, Mexico. In March 2014, Primero acquired a second producing asset and exploration property in Canada, the Black Fox Complex.

Since 2013, the Company has focused on optimizing its foundation asset by implementing initiatives to increase production, reduce costs and expand Mineral Reserves and Mineral Resources at the San Dimas mine. In 2014, the Company undertook and completed the expansion of the San Dimas mine and mill from 2,150 tonnes per day ("TPD") to 2,500 TPD. During 2015 the Company further optimized the San Dimas mill to enable it to operate at higher rates.

Upon acquiring the Black Fox Complex in 2014, the Company embarked upon similar optimization initiatives focusing on reducing costs and increasing productivity as well as an evaluation of the asset's near term potential, increasing underground exploration and development throughout the year. The Company depleted the Black Fox open pit during the third quarter of 2015. Primero continues to believe that there is significant exploration upside at across the Black Fox Complex.

During 2015 the Company acquired approximately 10,000 hectares of new concessions from the Mexican Mining registry in the vicinity of the San Dimas and Ventanas concessions and in 2016 it further acquired a significant mineral concession area of approximately 30,192 hectares between the San Dimas mine and the Ventanas exploration property, thereby closing the gaps between these concessions (the "Southern Concessions").

Recent Developments

2017

Work Stoppage at San Dimas

On February 15, 2017, the Company announced that unionized employees at its San Dimas mine in Mexico had initiated a strike action which resulted in the complete stoppage of mining and milling activities at the site. The stoppage comes as a result of the failure to reach an agreement during the negotiation of the Collective Bargaining Agreement ("CBA").

Executive Leadership Change

On February 23, 2017, the Company announced the appointment of Mr. Joseph Conway as Interim President and Chief Executive Officer upon the departure of Mr. Ernest Mast as President and Chief Executive Officer.

Strategic Review Process

On February 27, 2017, the Company announced that the Board of Directors had commenced a strategic review process to explore alternatives to improve shareholder value. The alternatives could include such things as strategic investments, joint ventures or asset sales.

Extension of existing Revolving Credit Facility

On March 24, 2017, the Company announced that it had agreed in principle with its lenders to an extension of its existing RCF (as defined below) previously maturing in May 23, 2017. Upon completion of the amending agreement, the maturity of the RCF will be extended by six months to November 23, 2017. The amending agreement would exclude financial covenants in the amended RCF during the six month period to support the San Dimas restart plan. Silver Wheaton Corp. will guarantee amounts payable under the RFC to assist the Company to meet its financial obligations and return the San Dimas mine to profitability.

Closing of Extension of existing Revolving Credit Facility

On March 31, 2017, the Company announced that it has closed the extension of the maturity of its $75 million RCF with its syndicate of lenders. The RCF will now mature on November 23, 2017 and will exclude financial covenants until the extended maturity date. The RCF continues to be secured by a charge over substantially all of the Company's assets and is now guaranteed by Silver Wheaton for a fee of $2.6 million payable at maturity. On this same date, Primero drew down $10 million from the RCF which then has $60 million drawn. An additional $15 million remains available for drawdown subject to Silver Wheaton's consent unless the proceeds are used solely in connection with the restart of the San Dimas operations.

2016

Operational Challenges

The Company began 2016 with efforts to create and sustain a safety-first culture at its operations. Consequently, the Company implemented enhanced ground support standards at its San Dimas mine which directly impacted operations for the first quarter of 2016. During the second quarter of 2016, production at San Dimas was impacted by unexpected labor disruptions along with lower than planned grades which resulted in a further update to the Company's production guidance. During the third quarter of 2016, production at San Dimas was affected by unplanned workers absences and lack of achievement of mine plans, which resulted in reduced underground development rates and delayed certain ventilation improvement projects, all of which resulted in a reduction of the Company's 2016 production guidance.

Legal Claims

On February 3, 2016, the Company announced that it had received a legal claim from the SAT, seeking to nullify the APA issued by the SAT (defined below) in 2012. The APA confirmed the Company's basis for paying taxes on realized silver prices for the years 2010 to 2014 and represented the SAT's agreement to accept that basis for those years. The legal claim initiated does not identify any different basis for paying taxes. The Company believes this legal claim is without merit and it intends to vigorously defend the validity of its APA. See "Risk Factors".

In addition, a class action lawsuit was filed in February 2016 against the Company in the State of California seeking to recover damages for investors in the Company's common shares under the U.S. federal securities laws. The Company filed a motion to dismiss which was granted on January 30, 2017. The Plaintiff's claims were dismissed without prejudice and the plaintiffs filed an amended complaint on February 27, 2017. The Company will vigorously defend this class action lawsuit if it proceeds.

Announcement of intentions to repay the Brigus Debentures

On February 10, 2016, the Company announced its intention to redeem with cash its outstanding $48.1 million 6.5% senior unsecured convertible debentures due March 31, 2016 (the Brigus Debentures) and further announced that it had drawn $50 million under its Revolving Credit Facility to satisfy the repayment of the Brigus Debentures. The Brigus Debentures were paid on March 30, 2016.

NAFTA Dispute

On June 2, 2016, the Company issued a Notice of Intent to submit a claim to international arbitration against the government of Mexico pursuant to Article 1119 of the North American Free Trade Agreement ("NAFTA"). The Notice of Intent highlights the improper actions taken by the Mexican tax authority, Servicio de Administración Tributaria ("SAT"). These actions have the intent of revoking legal rights previously granted to Primero and upon which Primero relied to expand its investment in Mexico.

Acquisition of Mineral Concessions

On June 14, 2016, the Company acquired a large concession area adjacent to its San Dimas mine in Durango, adding 30,192 hectares substantially covering the area between the San Dimas mine and the Ventanas exploration property. These new concessions are not covered by the San Dimas Silver Purchase Agreement.

Prospectus Offering

On June 24, 2016, the Company closed a "bought deal" underwritten prospectus financing with a syndicate of underwriters, pursuant to which the Company issued 22,022,500 units of the Company at a price of C$2.35 per unit for aggregate gross proceeds of C$51,752,872. Each unit consisted of one Common Share of the Company and one-half of one Common Share purchase warrant of the Company. Each whole warrant entitles the holder to acquire one Common Share of the Company at a price of C$3.35 per Common Share until June 25, 2018.

Executive Changes

On October 6, 2016, the Company appointed Mr. Damien Marantelli as Chief Operating Officer. Mr. Marantelli is the successor to Mr. Guillermo Adrian who was the Company's Vice-President of Operations and was killed in the plane crash reported on April 2, 2016. On September 1, 2016, the Company appointed Mr. Kevin Jennings as Chief Financial Officer ("CFO") replacing Ms. Wendy Kaufman.

On January 31, 2016, Mr. Ernest Mast assumed the role of President and Chief Executive Officer of the Company and Director of the Board in replacement of Mr. Joseph Conway who assumed the role of Executive Vice Chairman of the Company.

NYSE Notice

On December 27, 2016, the Company announced that it had received formal notification from the New York Stock Exchange ("NYSE") of its non-compliance with the exchange's continued listing standards for minimum trading price.

2015

Amalgamation

Effective January 1, 2015, Primero Mining Corp. and Primero Gold Canada Inc. (formerly Brigus) amalgamated under the name of Primero Mining Corp. under the Act

Convertible Debenture Prospectus Offering

On February 9, 2015, the Company announced the closing of an underwritten prospectus offering of $75 million aggregate principal amount of 5.75% convertible unsecured subordinated debentures (the "2015 Debentures"), maturing on February 28, 2020. The 2015 Debentures are convertible into Common Shares at a conversion price of approximately $6.55 per share, representing a conversion rate of 152.6718 Common Shares per $1,000 principal amount of 2015 Debentures. Upon conversion, holders will be entitled to receive accrued and unpaid interest up to, but excluding, the date of conversion.

Executive Changes; Head Office Consolidation

As part of the Company's evolution and focus on maintaining efficiency as it continues to grow, the Company made the decision mid-2014 to consolidate its functions in a Toronto-based head office, initiating the closure of its Vancouver office where the corporate accounting and reporting team had previously been located. The Company appointed Ms. Wendy Kaufman to the role of CFO based in Toronto in September 2014. Further, on February 2, 2015, the Company announced the appointment of Mr. Ernest Mast, as President and Chief Operating Officer to fill the position that had been vacant since mid-October 2014 when the prior Chief Operating Officer resigned to pursue another opportunity.

2014

Acquisition of the Black Fox Complex

On March 5, 2014, Primero completed the acquisition of Brigus whereby Primero acquired all of the issued and outstanding common shares of Brigus by way of a plan of arrangement under the *Canada Business Corporations Act* (the "Brigus Acquisition"). Brigus owned 100% of the Black Fox Complex, an open pit and underground mine and nearby mill, as well as associated exploration properties (Grey Fox and Pike River). The Black Fox Complex is located in the Timmins mining district in the Province of Ontario. See "Mining Activities – Black Fox Complex". Brigus also owned certain other properties which were spun into a new company Fortune Bay Corp. ("Fortune Bay").

Under the plan of arrangement, former shareholders of Brigus received 0.175 of a Common Share, $0.000001 in cash and 0.1 of a common share of Fortune Bay, for each common share of Brigus held. In addition, Primero also assumed Brigus' outstanding TSX-listed convertible unsecured subordinated debentures due March 31, 2016 and certain TSX-listed common share purchase warrants. The legacy Brigus common share purchase warrants subsequently expired and were delisted from the TSX. Following completion of the plan of arrangement, Brigus was delisted from the TSX and ceased to be a reporting issuer on March 28, 2014. On the same date, Brigus changed its name to Primero Gold Canada Inc.

For further details regarding the Brigus Acquisition please refer to the Amended and Restated Business Acquisition report dated February 3, 2014, filed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com .

Secondary Offering of Goldcorp-held Common Shares

On March 5, 2014, Primero announced that it had entered into an agreement with its shareholder Goldcorp and a syndicate of underwriters to sell, on a "bought deal" basis, Goldcorp's 31,151,200 Common Shares, then representing approximately 19.8% of the issued and outstanding Common Shares. The closing occurred on March 26, 2014 whereupon Goldcorp ceased to be a shareholder of the Company. The Company did not receive any proceeds of the offering.

Revolving Credit Facility

On May 23, 2014, the Company closed a $75 million revolving credit facility with a syndicate of lenders led by Bank of Montreal, acting as administrative agent (the "Revolving Credit Facility" or "RCF"). The Revolving Credit Facility has a three-year term and bears interest at a floating interest rate equal to LIBOR or the prime lending rate of Canada or the bankers' acceptance rate (depending on the Company's choice) plus an applicable margin, which was approximately 4.75% per annum during the year ended December 31, 2014. The Revolving Credit Facility is secured by substantially all of the Company's assets. The Company used funds from the Revolving Credit Facility to repay an outstanding $27 million promissory note held by Goldcorp bearing interest at a rate of 6% per annum and originally due December 31, 2015. The Revolving Credit Facility was repaid from the proceeds of the 2015 Debentures. As at December 31, 2016, $50 million had been drawn under the Revolving Credit Facility and $25 million remained available to the Company.

BUSINESS OF PRIMERO

Overview

Primero is a Canadian-based precious metals producer with operations in Canada and Mexico. The Company is focused on becoming an intermediate gold producer by building a portfolio of high quality, low cost precious metals assets in the Americas. Primero currently has two producing properties, the San Dimas Mine, located in Mexico's San Dimas district on the border of Durango and Sinaloa states, and the Black Fox Complex which is located in the Timmins mining district in Ontario, Canada. In addition, Primero has numerous exploration properties in Mexico around the San Dimas Mine (principally, the Lechuguilla and Ventanas properties, located in Durango state, Mexico and the Cerro del Gallo Project located in Guanajuato state, Mexico and exploration properties associated with the Black Fox Complex (known as Grey Fox and Pike River).

Product and Economic Dependence

The Company's principal products are gold and silver. There are worldwide gold and silver markets into which the Company can sell its products. The Company is not dependent on a particular purchaser with regard to the sale of gold. A significant portion of its silver produced at the San Dimas Mine is sold to Silver Wheaton (Caymans) Ltd. ("SW Caymans") under the Amended and Restated Silver Purchase Agreement. In addition, 8% of the gold produced at the Black Fox mine is sold to Sandstorm Resources Ltd. ("Sandstorm") under a gold streaming agreement. See "Mining Activities – San Dimas Mine - Amended and Restated Silver Purchase Agreement" and "Mining Activities – Black Fox Complex – Sandstorm Goldstream Agreement".

Specialized Skills and Knowledge

Various aspects of the business of the Company require specialized skills and knowledge in the areas of international business, geology, engineering, exploration and development, environmental, and corporate social responsibility. The Company has adequate employees with extensive experience in these specialized areas, both in Mexico and Canada to support the conduct of its business.

Competitive Conditions

The mining industry is competitive in all of its aspects. Primero faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious and base metals. Many of these companies have greater financial resources, operational experience or technical capabilities than Primero. In addition, the Company also competes with its competitors over sourcing raw materials and supplies used in connection with its mining operations, as well as for skilled experience workers and executives. See "Risk Factors – Operational Risks – Competition".

Changes to Contracts

As at December 31, 2016, Primero had 823 unionized employees at the San Dimas Mine who are members of two sections of one union: Sindicato Nacional de Trabajadores Mineros and Metalúrgicos, Siderúrgicos y Similares de la República Mexicana. The union contracts are renegotiated every two years, except for the compensation aspects, which are reviewed every year. See "Business of Primero – Employees" and "Risk Factors – Labour and Employment Matters".

Employees

As at December 31, 2016, the Company had the following employees and contractors:

Location	Full-Time Salaried	Hourly (Union)	Contractors	Total
Durango Office	25	Nil	Nil	25
San Dimas Mine (including Truchas)	462	823	570	1,855
Black Fox Complex	272	Nil	52	324
Cerro del Gallo Project	11	Nil	nil	11
Toronto Office	31	Nil	5	36
Total	**801**	**823**	**627**	**2,251**

Foreign Operations

A significant portion of the Company's mining and mineral exploration operations are conducted in Mexico, and as such, Primero's operations are exposed to various levels of foreign political, economic and other risks and uncertainties. See "Risk Factors – Use of Ejido-owned Land" and "Risk Factors – Foreign Operations Risks – Mexico".

Environmental Protection

The activities of the Company are subject to environmental laws and regulations. Environmental laws and regulations are evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessment of proposed projects and an increased degree of responsibility for companies and their officers, directors and employees.

In particular, the Company's mining, exploration and development activities are subject to various levels of Mexican and Canadian federal and state/provincial laws and regulations relating to the protection of the environment, including requirements for closure and reclamation of mining properties, with which the Company is currently in material compliance. During the year ended December 31, 2016, the Company spent at San Dimas $0.5 million on capital projects related to environmental protection, and $2.5 million at the Black Fox Complex. Additionally, the Company accounted for its asset retirement obligations, consisting of reclamation and closure costs of its mining properties in its financial statements. See "Mining Activities – San Dimas Mine – Environmental Matters", "Mining Activities – Black Fox Complex – Environmental Matters" and "Risk Factors – Environmental Risks and Hazards".

Social and Environmental Policies

Primero's operating practices are governed by the principles set out in its Health and Safety Policy, Environment and Social Responsibility Policy and Code of Business Conduct and Ethics. The Corporate Responsibility Committee of the Company's board of directors (the "Board") provides oversight in occupational health and safety, community relations, and environmental management. Internal weekly and quarterly reporting tracks performance indicators including human resources metrics, health and safety, environmental monitoring, compliance with permits, materials inputs and outputs, and community relations activities. Primero's Board and senior management team have committed to the sustainability reporting process and report publicly on performance through the Annual Sustainability Report and the Company's website.

The Company plans to continue to implement and expand the corporate responsibility programs and stakeholder engagement activities that have been initiated. In Tayoltita the 'Activa Tayoltita' year-long cultural and recreational activities included educational and sporting events and regular use of the newly constructed recreational parks. The ongoing implementation of written agreements with local Ejidos in Mexico and Impact Benefit Agreement ("IBA") with our Wahgoshig First Nation neighbour in Canada have generated new employment and business opportunities in their respective communities. In 2016, the Company's commitment to its diverse stakeholder base was reflected in the adoption of a Diversity Policy, which can be found on the Company's website www.primeromining.com, under "Board and Committee Guidelines" in the Corporate Governance section.

In March 2016, for the fifth consecutive year, the Company was awarded the "Distintivo ESR" (designation as a "Socially Responsible Business") by the Mexican Center for Philanthropy. The award is given to companies operating in Mexico that are committed to sustainable economic, social and environmental operations in all areas of corporate life, including business ethics, involvement with the community and preservation of the environment.

In November 2015, the Company received confirmation of The Clean Industry certificate renewal from the Federal Environmental Protection Agency (“PROFEPA”). The clean industry initiative is a voluntary program that assesses regulatory compliance and best practices in environmental performance and which is granted every two years. As part of the 2016 annual environmental awareness programs at San Dimas, this year’s initiatives focused on refining the Environmental Management System (EMS) and increased analysis of the environmental aspects identified in the EMS.

MINERAL RESERVES AND MINERAL RESOURCES

Primero's total Mineral Reserves and Mineral Resources at December 31, 2016, is shown in the tables below, and is qualified by the more detailed disclosure set out in the following sections.

Total Mineral Reserves and Mineral Resources as at December 31, 2016.

Classification	Property	Tonnage (Mt)	Gold Grade (g/t)	Silver Grade (g/t)	Contained Gold (koz)	Contained Silver (koz)
Mineral Reserves						
Proven & Probable	San Dimas	4.0	4.0	322	517	41,220
Proven & Probable	Black Fox	0.8	4.1		111	
Proven & Probable	Cerro	32.2	0.7	15	712	15,335
Total Proven & Probable					**1,340**	**56,555**
Mineral Resources						
Measured & Indicated	San Dimas	5.0	5.2	387	832	61,879
Measured & Indicated	Black Fox	2.9	6.0		554	
Measured & Indicated	Grey Fox	4.7	4.4		668	
Measured & Indicated	Cerro	47.9	0.6	13	923	20,546
Measured & Indicated	Ventanas	0.2	2.5	258	12	1,286
Total Measured & Indicated					**2,989**	**83,711**
Inferred Resources	San Dimas	7.2	3.7	317	860	73,452
Inferred Resources	Black Fox	0.3	6.9		57	
Inferred Resources	Grey Fox	1.3	4.2		174	
Inferred Resources	Ventanas	0.2	2.3	412	17	3,039
Total Inferred Resources					**1,108**	**76,491**

See Notes to Mineral Reserves and Mineral Resources on pages 24, 30, 33-35.

MINING ACTIVITIES

SAN DIMAS MINE

Except as indicated below, the following description of the San Dimas Mine has been summarized from the technical report entitled "San Dimas Property, San Dimas District, Durango and Sinaloa State, Mexico, Technical Report for Primero Mining Corp." dated April 18, 2014 (the "San Dimas Technical Report"), prepared in accordance with NI 43-101 by J. Morton Shannon, P. Geo., Rodney Webster, M.AIG, and Gabriel Voicu, P. Geo, each a "Qualified Person" for the purposes of NI 43-101. Readers should consult the San Dimas Technical Report to obtain further particulars regarding the San Dimas Mine. The San Dimas Technical Report is available for review under the Company's profile on SEDAR at www.sedar.com .

The scientific and technical information after April 18, 2014 under the heading "Mining Activities – San Dimas Mine" is based on information reviewed and approved by Dave Laudrum, P.Geo., Senior Resource Manager for Primero.

Amended and Restated Silver Purchase Agreement

As part of the San Dimas Acquisition, Primero assumed the Amended and Restated Silver Purchase Agreement among Silver Trading, SW Caymans, DMSL and Silver Wheaton, originally dated as of October 15, 2004, restated as of March 30, 2006, amended and restated as of August 6, 2010 (the "Amended and Restated Silver Purchase Agreement"). The Amended and Restated Silver Purchase Agreement governs purchases of silver produced from the San Dimas Mine by SW Caymans. After meeting its contractual obligations to SW Caymans, Primero is free to sell all other produced silver at market prices. The following is a summary of the material terms of the Amended and Restated Silver Purchase Agreement:

- The term of the Amended and Restated Silver Purchase Agreement is for the life of the San Dimas Mine, with an initial term expiring October 15, 2029, and automatic renewals for additional terms of ten years each, subject to SW Cayman's right to terminate;
- Silver Trading sells annually (in a "Contract Year") to SW Caymans an amount of refined silver (the "Refined Silver") equal to:
    - all ounces produced of payable silver ("Payable Silver") from the San Dimas mine up to 6,000,000 ounces (the "Threshold Number"), and
    - 50% of any additional ounces of Payable Silver in excess of the Threshold Number of ounces of Refined Silver for such Contract Year.
- The purchase price for the Refined Silver is equal to the lesser of (a) a fixed price of $4.04 plus an increase of one percent annually ($4.28 for 2016) and (b) the market price of Refined Silver at the time of sale;
- If, by October 15, 2031, 215 million ounces of Refined Silver (the "Minimum Silver Amount") have not been sold and delivered to SW Caymans by Silver Trading under the Amended and Restated Silver Purchase Agreement (including amounts produced under predecessor agreements equal to approximately 37.25 million ounces as at April 30, 2010), then Silver Trading will be obligated to pay to SW Caymans an amount (the "Minimum Silver Payment"), equal to:

- Minimum Silver Amount, less the number of ounces of Refined Silver actually sold and delivered to SW Caymans by October 15, 2031;

  Multiplied by

- $0.50 per ounce;

  Provided that (a) default in payment of the "Minimum Silver Payment" will not constitute an "Event in Default" under the Amended and Restated Silver Purchase Agreement, and (b) Goldcorp will indemnify Silver Trading for, and accordingly will be ultimately responsible for, any amount paid in respect of the Minimum Silver Payment under an indemnity agreement executed between Primero and Goldcorp, except to the extent that the deficiency payment arises because Silver Trading did not comply with its obligations to sell and deliver to SW Caymans silver required to be sold and delivered under the Amended and Restated Silver Purchase Agreement (other than with respect to the failure of Silver Trading to sell and deliver the Minimum Silver Amount).

For additional information about the Amended and Restated Silver Purchase Agreement, go to the Company's profile on SEDAR at www.sedar.com .

Historical Production

Historical mill production for the San Dimas Mine from 2003 to 2016 is summarized in the following table:

San Dimas Mine Production		**Grade**		**Contained Ounces**	
Year	**Tonnes (Mt)**	**Gold (g/t)**	**Silver (g/t)**	**Gold (koz)**	**Silver (koz)**
2003	0.424	5.3	428	71	5,825
2004	0.398	6.9	525	88	6,717
2005	0.508	7.4	497	121	8,115
2006	0.689	7.8	438	172	9,706
2007	0.685	6.3	341	138	7,501
2008	0.657	4.3	259	90	5,479
2009	0.673	5.4	247	116	5,356
2010 (1)	0.612	4.5	244	88	4,803
2011	0.663	3.9	226	80	4,603
2012	0.721	3.9	234	88	5,134
2013	0.767	4.7	258	115	6,362
2014	0.898	4.7	232	134	6,606
2015	0.993	4.9	274	156	8,760
2016	0.759	3.9	228	94	5,564

(1) Primero acquired the San Dimas Mine on August 6, 2010.

Drilling

Prior to Primero's acquisition of the San Dimas Mine, all drilling was previously termed exploration drilling and was intended to collect data well away from the underground development that was intensively tested by channel sampling. Commencing in 2011 definition drilling campaigns were designed to convert Inferred Mineral Resources to Indicated Mineral Resources, and only drilling designed to test new targets was designated as exploration drilling. The total drilling conducted in 2016 is shown in the following table.

Area	Number of Drill Holes	Metres
Central Block	101	24,705
Sinaloa Graben	64	17,455
Tayoltita	5	1,104
Santa Rita	0	0
West Block	12	3,485
El Cristo	7	539
Mala Noche	6	2,532
Total	**195**	**49,820**

Drill holes are typically drilled to get the best intersection possible such that the intersected width is as close as possible to the true width, while giving vertical coverage. Drilling underground is achieved by drilling from one vein development to another, or from specific drill stations established on development headings driven to access the vein. Holes are typically 200 to 250 metres long and generally between +/- 50 ^{o} in dip, while surface drilling can be up to 700 metres deep. Generally, fans are drilled on multiple sections from one set up. Since October 2011, samples have been sent for analysis to the SGS laboratory in Durango and bulk density measurements have been systematically taken on core samples.

Mr. Dave Laudrum, P.Geo., Senior Resource Manager, Primero and a Qualified Person for the purposes of NI 43-101 has reviewed the appropriate reports, and is of the opinion that the data verification programs undertaken on the data collected from the San Dimas Mine adequately support the geological interpretations, the analytical and database quality, and therefore support the use of the data in Mineral Resource and Mineral Reserve estimation, and in mine planning.

2017 Exploration Program

The San Dimas delineation and mine exploration program for 2017 will target 8 main areas and has the goal of finding and delineating extensions of known veins in areas close to existing mine infrastructure.

The program includes delineation and exploration drilling as well as underground development related to exploration cross-cuts and establishing underground drill bays.

The proposed program includes work in each of the West Block, Sinaloa Graben, and the Central Block.

Mining Operations

The San Dimas Mine operation includes four underground gold and silver mining areas: the West Block (San Antonio mine); the Sinaloa Graben Block; the Central Block and the Arana Block (the Santa Rita mine). Vein thickness varies from 0.1 metres to 8 metres with the average approximately 1.9 metres. Some veins have a strike length of more than 1,500 metres. Vein dips vary from about 35 ^{o} to sub-vertical, the latter being decidedly more prevalent. The general mining recovery factor is about 95%, while that for sill mining is about 75%.

Typical mining of the vein systems is by mechanized cut-and-fill and long-hole, using drill jumbos or jacklegs, pneumatic long-hole drills and load-haul-dump machines, with primary access provided by adits and internal ramps from an extensive tunnel system under the steep, mountainous terrain.

The basis for ore haulage at San Dimas is load-haul-dump (LHD) equipment feeding either truck or rail haulage to the mill at Tayoltita. Development waste is generally moved to stopes as fill.

There is one milling facility at Tayoltita to process the production from the active mining areas in San Dimas. The Tayoltita mill has a conventional Merrill Crowe process flowsheet that employs crushing and grinding followed by cyanidation and zinc precipitation for recovery of gold and silver. San Dimas operates a dry stack tailings deposition facility, which has a minimum of 9 year life at the current processing rate.

Recent Operating History for the San Dimas Mine

In 2016 Primero implemented a major safety initiative which required that all workers in the underground mine would only work under supported ground, and the systematic installation of ground support is now a requirement in all active workplaces. This initiative reduced production rates due to the time involved in installing the ground support.

During the year ended December 31, 2016, San Dimas produced 113,968 gold equivalent ounces within the Company's revised guidance range of 110,000 to 120,000 gold equivalent ounces. The San Dimas mine produced 93,881 ounces of gold and 5.3 million ounces of silver, 38% and 36% lower, respectively, than 2015. Production at San Dimas in 2016 was lower than 2015 due mainly to lower throughput resulting from the additional time required to install ground support in all active workplaces, and due to logistical and labour issues which resulted in underground development rates which were lower than planned. Average throughput in 2016 decreased by approximately 24% over 2015, averaging 2,079 TPD (based on 366 day availability).

2017 Development Plans

Environmental Matters

During the year ended December 31, 2016, the Company spent $0.5 million on capital projects related to environmental protection, being the continued improvements to the tailings storage areas and some surface water management structures. Ultragen, engineering consultants specialized in mechanical and piping designs, reviewed the tailings pipelines condition and original design and recommended a series of modifications in order to improve the safety and durability of the pipelines. The implementation of these measures was started in late 2014 and was completed in the third quarter of 2016 (with the exception to modifications to the tailings pipelines suspension bridge which will be completed in the second quarter of 2017). In 2015 a Technical Review and Risk Assessment of the Cupias tailing storage facility was performed by Amec Foster Wheeler. The stability evaluation of the storage facility currently in use shows that the facility exceeds the minimum factors of safety criteria for static and seismic loading conditions for both the current and ultimate storage configurations. Preliminary evaluations of the current surface water management facilities shows that the ditches, diversion dam and other structures require modifications to accommodate storm events. The engineering of these improvements was completed in late 2015 with construction planned to start in the first quarter of 2017.

The San Dimas property is subject to a full closure plan and reclamation of the site upon cessation of operations, which would involve all facilities currently being used (mill, hydro plant, mines, surface infrastructure, power line, roads, dry tailings). The Company has accrued a decommissioning liability consisting of reclamation and closure costs for the San Dimas Mine. The undiscounted cash flow amount of the obligation was $28.0 million at December 31, 2016 and the present value of the obligation was estimated at $9.9 million, calculated using a discount rate of 7.75% and reflecting payments made during and at the end of the mine life, which for the purpose of this calculation, the Company has assumed is 17 years. In respect of the decommissioning liability, San Dimas Mine expects to incur $2.2 million in 2018 and $2.0 million in 2019 to remediate the historical San Antonio tailings, with the remainder of the expenditures to be incurred mainly at the end of the mine life.

On May 4, 2015, a weld on the tailings pipeline transporting materials to the Cupias tailings storage facility failed, spilling approximately 7 cubic metres of tailings into the Piaxtla river. The Company's emergency response plans addressed the spill and authorities were promptly notified. In September, 2015 the Federal environmental authorities (PROFEPA) fined the Company 315,450 pesos which was promptly paid. In December the National water commission, "CONAGUA", fined the Company 455,650 pesos in regard to the same spill and other infractions. Following this incident XPS Consulting & Testwork Services visited the San Dimas site in June 2015 to confirm the root cause of the spill and audited the design and improvements of the ongoing tailings handling system improvements. Their observations and recommendations have been applied to the system.

In addition, Primero is also dealing with two past environmental liabilities: reclamation of old San Antonio milling facilities and closure/reclamation of old San Antonio (Contraestacas) tailings facilities. All work is expected to be completed in 2019.

San Antonio Tailings

Due primarily to the exhausted capacity of the tailings dam, the San Antonio mill was closed in 2003. The tailings dam site is located in a sharp curve in a steep walled river canyon downstream of the mill operation. The river was diverted through two tunnels which were excavated in the canyon wall on the inside of the river bend. A third tunnel for road access was excavated and also serves as an additional channel for the river in high flow periods. In 2002, the then owner of the mine (Wheaton River Minerals Ltd.) identified the San Antonio tailings dam as a risk to failure due to a low safety factor in the dam, risk associated with an unknown hydrostatic head in the active tailings deposition area and possible erosion due to a flood event in the adjacent river.

Since the shutdown of the San Antonio mill operations, some of the risk has been removed by elimination of the hydrostatic head in the dam and diversion of a local drainage channel. It has been proposed that the dam safety factor be increased by extending the concrete wall on the upstream side of the dam and protection of the downstream side by covering it with mine waste rock. These measures would also decrease the erosion potential of the tailings. Some of this work was initiated while options to close and reclaim the tailings dam were studied. DMSL received approval to reclaim the San Antonio dam by stabilizing the tailings in their current location after the submission of an environmental assessment, which demonstrated the validity of the plan. A scale model was developed that through a series of tests, determined the best design from the hydraulic aspect and to determine if some of the design features needed to be augmented. During 2007, in agreement with the design by Knight Piésold (international geotechnical consultant), the emplacement of a rock filled berm began with about 60% completed; however, the rains and lack of an access road significantly affected progress. Further work was done in 2008 and subsequent years. Full closure of the San Antonio old tailings facilities, which consists of completing a downstream berm and spillway, is planned to be completed in 2019. See "Risk Factors – San Dimas Tailings Management Risks".

Reserves and Resources

The San Dimas Mine is an established property with a long operating history and a record of Mineral Reserve replacement, Mineral Resource conversion and exploration success.

At San Dimas the Mineral Reserves and associated Mineral Resources were constrained in 62 individual geological models (57 individual geological models in 2014). Mineral Resources were estimated using GEMS software with ordinary kriging interpolation applied to major veins and inverse distance squared interpolation applied to minor veins. Resources in some additional minor veins were estimated using a polygonal method and included in Inferred Resources. Leapfrog geological models were created which honor the vein contacts, the gold and silver grades, structural geology, quartz veining and mineral alteration. Grade estimation was performed on 3 metre long by 3 metre high by 0.5 metre wide blocks. Variable grade capping was applied to veins supported by statistical analysis and visual checks.

To convert Mineral Resources to Mineral Reserves, mining dilution was added and mining recovery factors were applied on an individual vein basis and respecting mining methodology. For the block-modelled veins, Measured and Indicated Mineral Resources were defined by combining several criteria such as a minimum of four drill holes within 15 metres and 30 metres respectively, whereas Inferred Mineral Resources were estimated with a minimum of 2 drill holes within 30 to 45 metres. The Company continues to utilize an external laboratory for all drill samples at San Dimas.

Primero used a constant bulk density of 2.7 t/ m^3 for the estimation of the tonnes for all veins in the December 2014 estimate.

Primero used a constant bulk density of 2.6 t/m^3 for the estimation of the tonnes for all veins in the December 2015 and December 2016 estimates.

Due to the poor Quality Assurance/Quality Control ("QA/QC") results in 2011 and 2012, AMC was unable to classify any of the Mineral Resources as a Measured Mineral Resource, but improved QA/QC methods and practices commenced in 2012 and continued into 2013 and 2014 have allowed for Measured Mineral Resources commencing with the 2013 Mineral Resources estimate. The Company utilizes an external laboratory for all drill samples and the channel samples that are used in Mineral Resources and Reserve estimates. For the block-modelled veins in 2015, Measured and Indicated Mineral Resources were defined by combining several criteria such as a minimum of four drill holes within 15 metres and 30 metres respectively, whereas Inferred Mineral Resources were estimated with a minimum of 2 drill holes within 45 metres.

The QA/QC process for diamond drill core involves assaying in an external laboratory (SGS in Durango), the regular insertion of standard reference materials and the regular insertion of blank materials. Diamond drill core of BTW, BQ and NQ diameter is cut in half and one half is submitted to SGS, which is an ISO certified independent laboratory. Sample intervals have an average length of 0.7 metres and, in general, they are no longer than 1.5 metres, although occasionally slightly longer intervals were used. In the laboratory, the samples are dried, crushed and pulverized to 85% of the sample passing a 75 µm sieve. Gold is analyzed by 30g fire assay with atomic absorption finish. Above 10g/t gold fire assay the gold is analyzed with gravimetric finished. Silver is analyzed by atomic absorption. Above 300g/t fire assay Ag is analyzed with gravimetric finish. For exploration drilling an extra assay of ICP-OES 34 elements aqua regia digestion is done.

Primero has assumed that the current drill-jumbo and jackleg cut and fill mining methods continue to be practised at San Dimas, with respective minimum mining widths of 3 metres and 1 metre. San Dimas has introduced the use of long-hole mining method rather than cut and fill on an increasing scale, with a minimum mining width of 1.5 metres. For the purposes of Mineral Reserve estimation unplanned mining dilution on each side of the planned mining width is assumed to be 0.2 metres for cut and fill and 0.3 metres for long-hole mining. For each mining method, 0.2 metres of fill floor dilution has been assumed. Overall average dilution, planned and unplanned, is estimated at 40%. For the veins upon which the year-end 2016 Mineral Reserve estimate is based, the respective mined tonnes from jumbo, jackleg and long-hole mining are estimated at 14%, 45% and 41%, respectively. Other than for sill mining, average recovery throughout each mining block for both cut and fill and long-hole mining has been assumed to be 95%. For sill pillars, which in the modelling process have been assumed to be the 3 metres thickness at the top of the mining block and immediately below the sill drive, a factor of 75% has been used.

Commencing in 2016 the Company has applied a two-pass cut-off grade at San Dimas. Firstly an all-in sustaining cost cut-off grade was applied to highlight areas for inclusion in the Mineral Reserve, followed by the application of an operating cost cut-off grade to highlight additional incremental material for potential inclusion. The all-in sustaining cost cut-off grade applied was 3.22 g/t gold equivalent ("AuEq") and considers direct operating costs and sustaining capital costs. The operating cut-off grade next applied was 2.22 g/t AuEq and considers direct operating costs only. Additional factors affecting the cut-off grade include reduced expected throughput rates following the deferral of the 3,000 tonnes per day expansion plan, and lower expected metallurgical recoveries of 95% for gold and 92% for silver. The Company believes that these are more appropriate recovery rates to use due to improved metallurgical accounting practices implemented as the mill processes lower grade ore.

San Dimas Proven and Probable Mineral Reserves at December 31, 2016 decreased 292,000 ounces of gold and 14.0 million ounces of silver from year-end 2015. The decrease is primarily attributable to 2016 mining depletion of 94,000 gold ounces and 5.3 million silver ounces, updated geological modeling and lower than planned conversion rates. The Company also applied a two-pass cutoff grade methodology with decreased metallurgical recoveries, tighter structure control based on observed geology and conservative dilution factors. The Company has also removed certain areas of veins and certain remnant pillars in high-grade veins from the Mineral Reserves. The Mineral Reserve decrease due to model adjustments with increased geological constraints totalled 231,000 ounces of gold and 9.6 million ounces of silver.

The results of the estimation work are shown in the table below, which shows a summary of the Mineral Resources and Mineral Reserves at December 31, 2016 **.** As noted above, the Inferred Mineral Resource is a mix of block modeled and polygonal estimates. The relevant cut-off and price data are shown in the footnotes.

Classification	Tonnage (Mt)	Gold Grade (g/t)	Silver Grade (g/t)	Contained Gold (koz)	Contained Silver (koz)
Mineral Reserves					
Proven	1.0	4.6	361	146	11,514
Probable	3.0	3.9	308	371	29,705
Proven & Probable	**4.0**	**4.0**	**322**	**517**	**41,220**
Mineral Resources					
Measured & Indicated	**5.0**	**5.2**	387	**832**	**61,879**
Inferred	7.2	3.7	317	860	73,452

Notes to Mineral Reserve Statement :

1. Assumed gold price of US$1,200 per troy ounce and silver price of US$17 per troy ounce.
2. A two-pass cut-off grade was applied at San Dimas; first-pass of 3.22 g/t gold equivalent based on total all-in costs of $118.00/t ($81/t direct costs and $37/t sustaining capital), and second-pass of 2.22 g/t gold equivalent based on direct operating costs only. Metal supply contract obligations have been referenced in determining overall vein reserve estimate viability.
3. Assumed processing recovery factors at San Dimas for gold of 95% and silver of 92%.
4. Exchange rate assumed is MXN$18.00/US$ 1.00.
5. The Mineral Reserve estimates for San Dimas Mine set out in the table above have been reviewed and approved by Mr. Patrick McCann, P.Eng., Principal Engineer, Primero and a Qualified Person ("QP") for the purposes of National Instrument 43-101 ("NI 43-101").
6. Mineral Reserves do not consider the silver purchase agreement which exists with Silver Wheaton Corp. such that the first 6.0 million ounces per annum of silver produced by the San Dimas mine, plus 50% of the excess silver above this amount, must be sold to Silver Wheaton Caymans at the lesser of $4.28 per ounce (adjusted by 1% per year) and market prices.

Notes to Mineral Resource Statement:

1. Mineral Resources are total and include those resources converted to Mineral Reserves.
2. Assumed gold price of US$1,200 per troy ounce and silver price of US$17 per troy ounce.
3. San Dimas cut-off grade of 2.0 g/t AuEq was applied.
4. The Mineral Resource estimates for San Dimas Mine set out in the table above have been reviewed and approved by Dave Laudrum, P.Geo., Senior Resource Manager for Primero and QP for the purposes of NI 43-101.

Other than as described herein, Primero is not aware of any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant factors that may materially affect the Mineral Resources.

BLACK FOX MINE

The following description of the Black Fox Complex has been summarized from the technical report entitled "Technical Report on the Mineral Resource and Mineral Reserve Estimates for the Black Fox Complex (compliant with National Instrument 43-101 and Form 43-101F1)" dated June 30, 2014 (the "Black Fox Complex Technical Report"). Harold Brisson, PhD, Eng. (OIQ), Former Resources Manager for Primero, supervised, and took overall responsibility as QP for the entire Black Fox Complex Technical Report. Readers should consult the Black Fox Complex Technical Report to obtain further particulars regarding the Black Fox Complex. The Black Fox Complex Technical Report is available for review under the Company's profile on SEDAR at www.sedar.com .

The scientific and technical information after June 30, 2014 under the heading "Mining Activities – Black Fox Complex" has been reviewed and approved by Dave Laudrum, P. Geo, Senior Resource Manager for Primero.

Sandstorm Goldstream Agreement

On November 9, 2010, the then owner of the Black Fox mine, Brigus entered into the Goldstream Agreement with Sandstorm pursuant to which Sandstorm agreed to purchase 12% of the gold production from the Black Fox mine beginning in January 2011 and 10% of future production from the Black Fox extension covering a portion of the adjoining Pike River property. Sandstorm made an upfront payment of $56.3 million of which Brigus used a portion to effectively settle the balance of its forward gold sales contracts eliminating the obligation to deliver 99,409 ounces from October 2011 to March 2013. Sandstorm also committed to pay Brigus (now Primero) ongoing per ounce payments of $500 subject to an inflationary adjustment beginning in 2013, not to exceed 2% per annum. Brigus had the option, for a 24 month period, to reduce the Goldstream Agreement to a minimum of 6% of production from the Black Fox mine and 4.5% of production from the Black Fox Extension for a payment of US$36.6 million. On November 5, 2012, Brigus elected to exercise the option and repurchased 4% of the Goldstream for $24.4 million. This reduced Sandstorm's portion of future production at Black Fox to 8% and the Black Fox extension to 6.3% .

Historical Production

The former Glimmer underground gold mine operated on the Black Fox property over the period 1997-2001, and produced approximately 211,000 ounce of gold by contract milling. Underground mining extended to depths of approximately 200 to 215 metres below the surface before operations were suspended due to low gold prices in May of 2001.

Black Fox Mill Production

Year	Tonnes (Mt)	Grade Gold (g/t)	Contained Ounces Gold (koz)
2010	0.721	3.16	73
2011	0.725	2.54	59
2012	0.735	3.43	81
2013	0.752	4.34	105
2014 [1]	0.803	3.00	77
2015	0.876	2.60	73
2016	0.913	2.22	65

[1] Primero acquired the Black Fox Complex on March 5, 2014.

2017 Exploration Program

The 2017 Black Fox Mine exploration program will focus on delineation and exploration drilling. The majority of the drilling will be collared with three rigs from the 520 Exploration drift, which extended 200 m west in Q1, 2016.

The goal for 2017 exploration is 100% replacement of expected mining depletion. It is anticipated this will be achieved through a combination of discovery and delineation of a second significant mining horizon to the west, and the down plunge extension of the Central Zone (CZ) to the 700 m Level and the Deep Central Zone (DCZ) below the 810 m Level. First pass exploration drilling at 50 m centers reaching to the 1000 m level will be followed-up where successful with infill, 25 m spaced delineation drilling, more heavily weighted in the second half of 2017.

The remainder of the Black Fox property surface exploration effort in 2017 will be conditional on the Company obtaining required financing. Based on the successful discovery and delineation of the Froome mineralization in 2015-2016, an extended drilling campaign of 20,000 m, for an estimated $2.5 million budget is warranted within a 2 km radius of the Black Fox mine. The Froome discovery is largely characterized by magnetic and chargeability geophysical anomalies within the Porcupine- Destor Break, structural corridor which hosts the Black Fox mine and Froome deposit. Surface drilling in 2017 will target gold mineralization associated with disseminate pyrite, structurally controlled within interleaved ultramafic, mafic, and sedimentary domains which have already proven favorable for gold mineralization.

Mining Operations

The Black Fox mine is an underground (and former open pit) mining operation with significant exploration upside.

Underground ore is mined using long-hole and narrow vein mining methods. The ore is accessed from a series of declines off of the main ramp and hauled to surface using articulated dump trucks. The maximum depth of mining is currently approximately 720 metres below surface in the Eastern zone, 380 metres in the Western zone and 560 metres in the Central zone; however the ore body is open along strike and at depth. Other third party underground mines in the Timmins vicinity typically extend more than 1,000 metres below surface.

Ore from the low grade stockpile and underground mine is crushed at the mine site and is transported to the Black Fox mill by a fleet of highway haulage trucks. The mill uses grinding circuit and conventional leaching to recover approximately 95% of gold feed.

The Black Fox operations are fully permitted. The Black Fox mine and the Black Fox mill were previously held under separate ownership and, therefore, the facilities were permitted separately. The permits for these facilities were acquired with the properties and have been amended as the operations have evolved, maintaining the separate permitting for the sites.

Recent Operating History for the Black Fox Mine

During the year ended December 31, 2016, the Black Fox Mine produced 62,171 ounces of gold, 678,919 tonnes of ore were mined from the low grade stockpile at an average grade of 1.24 g/t. and 234,518 tonnes were mined from underground at an average grade of 4.98g/t. At December 31, 2016 the low grade stockpile inventory was at 370,714 tonnes.

A total of 6,452 metres of underground development was completed in 2016 and underground ore production averaged 641 TPD (based on 366 day operation).

In 2016, the Company continued to invest in the Black Fox Complex with capital and exploration expenditures during 2016 of approximately $30.3 million, including $9.6 million on exploration, $1.1 million on equipment, $2.1 million on tailings lifts, and $15.1 million for underground development capital.

2017 Development Plans

Primero plans to process the ore from the surface stockpile along with underground ore in 2017 while it continues to develop known underground Mineral Reserves identified during the 2016 drilling campaign. The processing of the surface stockpile ore is planned to be completed in 2017. Stockpile ore will supplement underground production to maintain mill throughput at 2,400 TPD until the end of July 2017. It is planned that 100% of underground mine production will come from long-hole stopes in 2017.

Capital expenditures during 2017 for the Black Fox mine and mill are principally related to the development of drifts and necessary infrastructure to ramp-up mining rates from the Deep Central Zone.

Environmental Matters

During the year ended December 31, 2016, the Company spent $2.4 million on capital projects related to environmental protection, being the phase 8B1 tailings dam construction, water management pond expansions at the mill site and waste rock water management structures at the mine.

As at December 31, 2016, the undiscounted obligations, adjusted for inflation, associated with the site closure costs related to the Black Fox mine and mill and Grey Fox exploration project were $22.2 million and the present value of these obligations was estimated at $19.9 million, using a discount rate 1.16% . Primero holds $4.6 million of cash held for letters of credit securing $15.3 million of closure bonds held with the Ontario Ministry of Northern Development to secure these site closure cost obligations.

Primero expects to make significant expenditures to comply with such laws and regulations in the future. Changes to current local, provincial or federal laws and regulations could require additional capital expenditures and result in an increase in Primero's operating and/or reclamation and closure costs. Although Primero is unable to predict what additional legislation, if any, might be proposed or enacted, additional regulatory requirements could impact the economics of Black Fox Complex.

At the Black Fox mine and mill, the primary enabling environmental permits necessary for the continuing development and operation of the mine and mill include:

1. Permit to Take Water – for the withdrawal of surface or ground water quantities in excess of 50 m^3/day – including mine underground or open pit dewatering.

2. Environmental Compliance Approval/Certificate of Approval/Air – for treatment and discharge of emissions to air, including management of dust and noise in emissions.

3. Environmental Compliance Approval/Certificate of Approval/Industrial Sewage Works – for collection, treatment, and discharge of wastewaters.

4. Filed Closure Plan including posting of financial assurance for closure.

The existing tailings impoundment facility has been developed in phases since initial start-up in 1989. The construction of Phase 8B-1 was completed in December 2016. The Phase 8B-2 raise is scheduled for the summer 2017 and will include the raising of the west, south and east perimeter dams from elevation 278 metres to 279 metres, by constructing a tailings berm along the existing dam alignment The Phase 8B-2 will extend the life on the impoundment by a year. The detail design of additional phases 8-C thru 8-E is complete and planned for construction in 2018 and will continue over several years.

To the knowledge of Primero, neither the Black Fox mine nor the mill has any known legacy environmental liabilities.

First Nations Considerations

Primero is committed to maintaining a positive, cooperative and a mutually beneficial relationship with the local First Nations community and all of its neighbours in the community around the Black Fox Complex.

On June 3, 2011, the Company signed an “IBA” with the Wahgoshig First Nation of Ontario. There is a Wahgoshig Community Liaison on full time staff at site and a Joint Implementation Committee exists as a forum for communication and cooperation to address provisions relating to employment, training, workplace conditions and business and contracting opportunities, among others. The IBA provides a framework for how the parties work together during the construction, development and operations of the Black Fox Complex.

Reserves and Resources

Open pit and underground Mineral Resources are classified as Indicated or Inferred Resources, based on the density of the processed data, the search ellipse criteria, and the specific interpolation parameters. The stockpiles are classified as Measured Resources. The open pit Mineral Resources are constrained to the final Phase 3 pit design for the main zone and a satellite pit at the Base metals zone which was constrained to a pit optimization shell. A minimum mining width of 3 metres (true width) and cut-off grades of 0.9 g/t (open pit potential) and 3.4 g/t gold (underground potential) were used in the Mineral Resource estimation.

The Black Fox Mineral Reserves and associated Mineral Resources were estimated using a block modelling approach with inverse distance squared interpolation. Grade estimation was performed on 3 metre long by 3 metre high by 3 metre wide blocks. Grade capping was applied supported by statistical analysis. Indicated Mineral Resources were defined by combining several criteria such as a minimum of 2 drill holes within 20 metres. Primero estimates that the Black Fox mine has a Measured and Indicated Mineral Resource of 2.9 million tonnes grading 6.0 g/t gold (554,000 ounces of gold) and an Inferred Mineral Resource of 0.3 million tonnes grading 6.9 g/t gold (57,000 ounces of gold). The Mineral Resource is presented inclusive of Mineral Reserves.

Mineral Resources are converted to Mineral Reserves by applying mining cut-off grades, mining dilution, and mining recovery factors. Indicated Resources have been converted to Probable Reserves and stockpile Measured Resources have been converted to Proven Reserves.

The Company has applied a two-pass cut-off grade at Black Fox. Firstly an all-in sustaining cost cut-off grade was applied to highlight areas for inclusion in the Mineral Reserve, followed by the application of an operating cost cut-off grade to highlight additional incremental material for potential inclusion. The all-in sustaining cost cut-off grade applied was 4.74 g/t gold and considers direct operating costs and sustaining capital costs. The operating cut-off grade next applied was 3.47 g/t and considers direct operating costs only.

For underground Mineral Reserves stope outlines were created on north-south sections at 3 metres intervals. In the creation of the outlines, Primero's engineers took into account the mining method, existing level development and access, minimum pillar requirements between adjacent lenses, minimum mining widths, minimum footwall dip, and continuity of the ore along strike. The outlines for each lens and each level were then linked into separate wireframes and evaluated against the resource model to determine insitu mined tonnes and grade. An external dilution of 22% was applied to the in situ tonnes and grade to determine a mined tonnes and grade. This grade was compared against the cut-off grade from inclusion in the Mineral Reserve.

At December 31, 2016, Black Fox had approximately 111,000 ounces of gold contained within 0.8 million tonnes at an average gold grade of 4.1 g/t in Proven and Probable Reserves.

Black Fox Mine Mineral Reserves and Mineral Resources as at December 31, 2016.

Classification	Category	Tonnage (Mt)	Gold Grade (g/t)	Contained Gold (koz)
Mineral Reserves				
Proven	Stockpile	0.4	1.2	15
Probable	Underground	0.4	6.8	96
Total Black Fox Proven & Probable		**0.8**	**4.1**	**111**
Mineral Resources				
Measured	Stockpile	0.4	1.2	15
Indicated	Open Pit	0.05	2.2	3
Indicated	Underground	1.6	7.6	384
Indicated	Froome	0.9	5.5	151
Total Black Fox Measured & Indicated		**2.9**	**6.0**	**554**
Inferred Resources	Underground	0.03	8.5	9
Inferred Resources	Open Pit (Base Metals Zone)	0.1	7.9	28
Inferred Resources	Underground (Base Metals Zone)	0.04	6.1	8
Inferred Resources	Froome	0.1	5.2	12
Total Black Fox Inferred Resources		**0.3**	**6.9**	**57**

Notes to Mineral Reserve Statement :

1. Assumed gold price of US$1,200 per troy ounce.
2. A two-pass cut-off grade was applied at Black Fox underground; first-pass of 4.74 g/t gold based on total all-in costs of C$214.00/t (C$166/t direct costs and C$48/t sustaining capital), and second-pass of 3.47 g/t gold based on direct operating costs only.
3. Assumed processing recovery factors at Black Fox for gold of 95%.
4. Exchange rate assumed is CDN$1.30/US$1.00.
5. The Mineral Reserve estimates for Black Fox Mine set out in the table above havee been reviewed and approved by Mr. Patrick McCann, P.Eng., Principal Engineer, Primero and a QP for the purposes of NI 43-101.
6. A gold purchase agreement exists with Sandstorm Inc. such that 8% of the gold produced by the Black Fox mine must be sold to Sandstorm at the lesser of $500 per ounce of gold (subject to an inflationary adjustment beginning in 2013, not to exceed 2% per year) and market prices.

Notes to Mineral Resource Statement:

7. Mineral Resources are total and include those resources converted to Mineral Reserves.
8. Assumed gold price of US$1,200 per troy ounce.
9. Black Fox cut-off grades of 0.9 g/t gold for Open Pit and 3.4 g/t gold for Underground was applied.
10. At Black Fox a constant bulk density of 2.84 tonnes/m^3 has been used.
11. The Mineral Resource estimates for Black Fox Mine set out in the table above have been reviewed and approved by Dave Laudrum, P.Geo., Senior Resource Manager, Primero and QP for the purposes of NI 43-101.

CERRO DEL GALLO PROJECT

Except as indicated below, the following description of the Cerro del Gallo Project is taken from the summary contained in the technical report entitled “Technical Report, First Stage Heap Leach Feasibility Study, Cerro del Gallo Gold Silver Project, Guanajuato, Mexico” dated May 11, 2012 (the “CDG Technical Report”) prepared in accordance with NI 43-101 by Timothy Carew, P.Geo., formerly of Reserva International LLC, Thomas Dyer, P.E. of Mine Development Associates, Peter Hayward, F.AusIMM of Sedgman Ltd., and John Skeet, F.AusIMM, former Chief Operating Officer of Cerro, which summary has been updated and conformed to be consistent with other disclosure in this AIF.

Reference should be made to the full text of the CDG Technical Report, which is available for review under the Company's profile on SEDAR at www.sedar.com .

The scientific and technical information under the heading "Exploration and Development – Cerro Del Gallo Project" after May 11, 2012, is based on information reviewed and approved by Dave Laudrum, P. Geo., Senior Resource Manager and under the supervision of Louis Toner, Vice President, Project Development and Construction, both of Primero.

Cerro del Gallo is an attractive long-life project that significantly increases Primero's Mineral Reserves and Measured and Indicated Resources and could diversify the Company's future production profile with an anticipated additional 95,000 gold equivalent (silver and copper as by-products) ounces per year.

The May 2012 CDG Technical Report on the project contemplated only a phase one ("Phase I") heap leach of 4.5 million tonnes per year of weathered and partially oxidized ore for 7.2 years of production. The May 2012 DFS superseded an earlier preliminary assessment in May 2011, that identified a potential phase two addition of CIL processing of fresh rock commencing in the fifth year.

The development of the Phase I consists of cyanide heap leaching of approximately 32 million tonnes of weathered and partially oxidized ore from open pit mining. The processing design for a 4.5 Mt/a facility will consist of the following:

- Crushing, screening and conveying, using conventional crushing and HPGR technology to produce an 8 millimetre fine product;
- Agglomeration and leaching of the stacked ore using a cyanide solution;
- Use of Sulphidization, acidification, recycling and thickening technology ("SART") for the recovery of the copper and silver from pregnant solution, and recycling of cyanide to leaching pads;
- Elution of the loaded carbon with electrowinning and gold recovery in a gold room facility.

Recent Development Activities

In 2016 Primero continued its project development plans in order to advance the project to a decision and to optimize the mining and milling processes. The main activities in 2016 were focused on closing the remaining land deals, continuing the permitting efforts and continuing the transfer of water titles acquired up to 2015 to the Company. Specifically, the Company's land ownership increased from 89% to 100% of the total site land requirements, and the preparation of the environmental impact assessment (IA) and the change in land use (ET) permits by PH Consultores of Durango, Mexico were completed.

2017 Development Plans

Activities planned for 2017 on the Cerro del Gallo Phase I project will be reduced further as the Company continues to defer the construction decision due to current economic conditions. This decision resulted in the Company recording a non-cash impairment charge of $35 million in 2014 further to the $22 million impairment charge in 2015. The activities in 2017 will focus on obtaining titles on the land acquired by the Company and submitting the permit applications for the construction of the mine. The community outreach programs that began in late 2015 will continue. (The Company's 2017 budget for Cerro del Gallo is $1.8 million, including approximately $0.1 million to continue geological surface mapping and sampling.)

Recent Exploration Activities

Primero resumed the exploration program in 2013. Approximately $2 million was spent on geophysical compilation and diamond drilling. In 2013, 15,179 metres were drilled, including infill, condemnation and regional exploration drilling, as well as geotechnical drilling for metallurgical tests and AMD assessment. The infill drilling program was designed to convert inferred resources into indicated resources in the central part of the CDG mineralized zone. The condemnation drilling program was designed to sterilize areas for future infrastructure, including the waste dumps and leach pads.

The 2014 exploration program was focused on mapping and drilling the Carmen-Providencia epithermal vein system located near the main Cerro del Gallo deposit.

The 2015 and 2016 exploration program consisted of mapping, soil and stream sediment geochemistry and rock sampling on other prospective areas of the 25,000 hectare property. The program identified various targets that will be considered for future drilling.

2017 Exploration Program

The exploration program including Cerro del Gallo deposit and regional exploration targets will continue in 2017. Approximately $0.1 million is budgeted for surface mapping, sampling and soil geochemistry.

For more information about the Cerro del Gallo Project, refer to the “Cerro del Gallo” section in Schedule “B” of this AIF.

Reserves and Resources

Timothy Carew, P.Geo., formerly of Reserva International LLC; Thomas Dyer, P.E. of Mine Development Associates; Peter Hayward, F.AusIMM of Sedgman Ltd. and John Skeet, F.AusIMM, Chief Operating Officer of Cerro, are the Qualified Persons who prepared the Cerro Del Gallo Mineral Reserve and Mineral Resource estimates and Gabriel Voicu, P. Geo., former Vice President, Geology and Exploration of Primero, reviewed and approved the CDG Technical Report on behalf of Primero as a Qualified Person.

Measured Mineral Resources and Indicated Mineral Resources, excluding Proven Mineral Reserves and Probable Mineral Reserves, are shown below in Table 1-1 at December 31, 2016.

Table 1-1 First Stage Heap Leach Mineral Resources
(Excluding Proven Mineral Reserves and Probable Mineral Reserves), December 31, 2016

Category	Tonnage (Mt)	Gold Grade (g/t)	Contained Gold (koz)	Silver Grade (g/t)	Contained Silver (koz)	Copper Grade (%)	Contained Copper (klbs)
Measured Mineral Resources	39.9	0.61	781	13.8	17,714	0.10	88,790
Indicated Mineral Resources	8.0	0.55	142	11.0	2,832	0.08	14,608
Measured Mineral Resources & Indicated Mineral Resources	47.9	0.60	923	13.3	20,546	0.10	103,398

1. Based on gold price of US$1,020 per ounce and silver price of US$16.40 per ounce.
2. These resources are reported using internal cut-off grades of 0.24 and 0.29 gAuEq/t for weathered and partially oxidized, respectively.

The Proven Mineral Reserve and Probable Mineral Reserve estimates for Cerro del Gallo Stage 1 Heap Leach are summarized below in Table 1-2.

Table 1-2 First Stage Heap Leach Proven Mineral Reserve and Probable Mineral Reserve Estimate, December 31, 2016

Category	Tonnage (Mt)	Gold Grade (g/t)	Contained Gold (koz)	Silver Grade (g/t)	Contained Silver (koz)	Copper Grade (%)	Contained Copper (klbs)
Proven Mineral Reserve	28.2	0.71	643	15.05	13,655	0.08	50,247
Probable Mineral Reserve	4.0	0.54	69	13.20	1,679	0.07	6,197
Proven Mineral Reserve & Probable Mineral Reserve	32.2	0.69	712	14.82	15,335	0.08	56,443

1. Based on gold price of US$1,020 per ounce and silver price of US$16.40 per ounce.
2. Proven and probable reserves are reported using gold equivalent cut-off grades of 0.24 and 0.29 for weathered and partially oxidized material respectively. Cut-off grades were applied to gold equivalent grades which include both gold:silver price and recovery ratios.

GREY FOX PROJECT

The Independent and Qualified Person for the Mineral Resource Estimate i s Rodney Webster MAusIMM, MAIG of AMC Consultants Pty Ltd., and a QP for the purposes of NI 43-101. The result of the study is a single Mineral Resource Estimate for all mineralized zones at Grey Fox, with Indicated and Inferred Resources, for both a Whittle-optimized in-pit volume and a complementary underground volume.

In early 2015, the Company initiated a long range study of the Black Fox Complex which recommended further development of the Grey Fox deposit located to the south of the Black Fox mine. The Grey Fox project was identified as a possible replacement (to feed the mill) of the depleted Black Fox open pit once the surface stockpile is exhausted in 2017.

The Company hired Golder Associates and AMC Consultants to assist with the project scoping and permitting activities required to advance the project to a construction decision. At the end of 2015 project engineering, baseline studies, geotechnical evaluations, permitting activities, closure plan preparation, and development of mine shells and mine plans as well as cost estimates had advanced sufficiently to initiate consultation with the First Nations, the Metis of Ontario and local communities. However, given the low commodity price environment, the Company decided to postpone the project and has temporarily stopped development work on the project.

For more information about the Grey Fox project, refer to the “Black Fox Complex” section in Schedule “B” of this AIF.

The Company’s Grey Fox Mineral Resources were estimated using a block modelling approach with ordinary kriging interpolation. Grade estimation was performed on 5 metre long by 5 metre high by 5 metre wide blocks and a bulk density of 2.87 tonnes/m^3 . Grade capping was applied supported by statistical analysis. Indicated Mineral Resources were defined by combining several criteria such as continuation drill-hole locations and continuation of geology and mineralization and location of drilling. The database used for the estimate contained data as of December 15, 2014 and consisted of 1,149 diamond drill holes for 404,318 m of drilling.

Mineral Resource Estimate results for the Grey Fox project

Classification	Cut-off Grade (g/t Au)	Potential Material	Tonnage (kt)	Gold Grade (g/t)	Contained Gold (koz)
Indicated	>3.00	Underground	1,715	5.9	323
Indicated	>0.90	Open Pit	2,966	3.6	345
Total Indicated Resources			**4,681**	**4.4**	**668**
Inferred	>3.00	Underground	1,009	4.6	148
Inferred	>0.90	Open Pit	280	2.9	26
Total Inferred Resources			**1,289**	**4.2**	**174**

1. The Independent and Qualified Person for the Mineral Resource Estimate, as defined by NI 43-101, is Rodney Webster BAppSc. MAusIMM, MAIG (Principal Geologist of AMC Consultants Pty Ltd., and the effective date of the estimate is December 31, 2015.
2. CIM definitions and guidelines were followed for Mineral Resources.

3. The quantity and grade of the reported Inferred Resources in this estimate are uncertain in nature. There has been insufficient exploration to define these resources as Indicated or Measured and it is uncertain whether further exploration would result in upgrading any of the Inferred resource to an Indicated or Measured category.
4. The Indicated category is defined by combination of drill-hole locations and continuity of the gold grades and the geology.
5. While the results are presented undiluted and in situ, the reported mineral resources are considered to have reasonable prospects for economic extraction.
6. The resource was estimated using Datamine CAE Mining Software. The database used for the estimate contained diamond drill core composites and assays. The estimate is based on 999 diamond drill holes (351,789 metres) drilled from 1993 to 2015. A minimum true thickness of 5.0 metres was applied, using the grade of the adjacent material when assayed or a value of zero when not assayed.
7. Supported by statistical analysis the high grade distribution within the deposit was top-capped for gold grades ranging from 10 g/t to 200 g/t after compositing for interpolation into model blocks using Ordinary Kriging based on 1m composites within a 5m East x 5m North x 5m Vertical block model.
8. Ounce (troy) = metric tons x grade / 31.10348. Calculations used metric units (metres, tonnes and g/t).
9. The number of metric tons was rounded to the nearest ten thousand. Any discrepancies in the totals are due to rounding effects.
10. AMC is not aware of any environmental, permitting, legal, title-related, taxation, socio-political or marketing issues or any other relevant issue that could materially affect the mineral resource estimate.

RISK FACTORS

The operations of the Company are speculative due to the high-risk nature of its business which is the acquisition, financing, exploration, development and operation of precious metals properties. The risk factors below, as well as other risks discussed in this annual information form, could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. These risks are broadly classified into these categories, financial and operational risks and are not the only ones faced by the Company. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of these events actually occur, our business, prospects, financial condition, cash flows and operating results could be materially harmed.

While the Company has developed an enterprise risk management policy and procedures to maintain risks within an acceptable range and the Board maintains direct oversight of the enterprise risk management process, there is no assurance that such measures will prevent risks from adversely affecting the Company's business. Before deciding to invest in securities of the Company, investors should consider carefully such risks and uncertainties.

Financial Risks

Indebtedness

As at December 31, 2016, Primero's aggregate indebtedness was comprised of $50 million on its Revolving Credit Facility, the 5.75% of Convertible Debentures ("Debentures") with a fair value of $52.5 million an $1.6 million of finance lease liabilities.

On February 10, 2016 the Company drew down $50 million on its Revolving Credit Facility ("RCF") to satisfy its obligation to pay the Brigus Debentures. The Revolving Credit Facility has a three year term and bears interest at a floating interest rate equal to LIBOR or the prime rate of Canada or the bankers' acceptance rate (depending on the choice of credit available by the Company) plus an applicable margin. On March 31 2017, the Company announced that it had closed with its lenders an extension of its RCF for six months from May 23, 2017 to November 23, 2017, which would provide the Company with greater flexibility to replace the RCF with a longer-dated term loan. Under the agreed amendments to the RCF, there will be an exclusion of financial covenants and Silver Wheaton Corp. will guarantee amounts payable under the RCF.

On January 20, 2015 the Company entered into an agreement with a syndicate of underwriters pursuant to which the underwriters agreed to purchase $75 million of Debentures, which offering closed on February 9, 2015.

As a result of this indebtedness, Primero is required to use a portion of its cash flow to service principal and interest on its debt, which limits the cash flow available for other business opportunities. The Company's exposure to interest rate risk is limited to the credit facility, which is subject to a floating interest rate. There can also be no assurance that Primero will generate cash flow in amounts sufficient to pay outstanding indebtedness or to fund any other liquidity needs. If any indebtedness becomes repayable due to an inability to comply with covenants, or if Primero is unable to extend the terms of any of its indebtedness at time of maturity or renewal, such failure or failures could have an adverse effect on Primero's financial position.

Primero's indebtedness could limit its ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, execution of Primero's growth strategy or other purposes or to capitalize on business opportunities and to react to competitive pressures and adverse changes in government regulation. The Company ' s ability to incur additional indebtedness is limited under the Revolving Credit Facility and the Amended and Restated Silver Purchase Agreement and depends on the satisfaction of certain financial tests, which are typical for a company such as Primero. These limitations restrict the additional indebtedness that the Company may incur, with the result that the Company may not be able to pursue capital expansions, additional exploration programs, acquisitions, or other components of its future business plans.

Commodity Prices

The price of the Common Shares, Primero's financial results and its exploration, development and mining activities are significantly adversely affected by declines in the price of gold and, to a lesser extent, silver. Gold and silver prices fluctuate widely and are affected by numerous factors beyond Primero's control such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major metals-producing countries throughout the world. The price of gold and silver has fluctuated widely in recent years, and future significant price declines could cause continued development of, and commercial production from, Primero's properties to be uneconomic. Depending on the price of gold and silver, cash flow from mining operations may not be sufficient and Primero could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties. Future production from Primero's properties is dependent on gold and silver prices that are adequate to make these properties economic.

In addition, Mineral Reserve calculations and life-of-mine plans using significantly lower gold and silver prices could result in material write-downs of Primero's investments in its mining properties and increased amortization, reclamation and closure charges.

Challenge to the 2012 APA

Overview

The Mexican tax authority, the SAT, has initiated a proceeding seeking to nullify the APA which it issued to the Company in 2012. The APA confirmed the Company's basis for paying taxes on the price it realized for certain silver sales between 2010 to 2014. If the SAT's challenge is successful it is likely to have a material adverse effect on the Company's business, financial condition and results of operations.

Background

In 2004, affiliates of Goldcorp Inc. ("Goldcorp") entered into a Silver Purchase Agreement with Silver Wheaton Corp. ("Silver Wheaton") in connection with the San Dimas mine and two other mines in Mexico. Under the Silver Purchase Agreement, Goldcorp received cash and securities in exchange for an obligation to sell the amount of silver extracted from the mines at a price set forth in the Silver Purchase Agreement. In order to satisfy its obligations under the Silver Purchase Agreement, sales were made by Goldcorp through a non-Mexican subsidiary to a Silver Wheaton company in the Caymans ("SWC"). Upon Primero's acquisition of the San Dimas Mine, the Silver Purchase Agreement was amended and restated and Primero assumed all of Goldcorp's obligations with respect to the San Dimas concession under the Silver Purchase Agreement. Primero did not receive any of the initial consideration that was paid to Goldcorp under the Silver Purchase Agreement.

As amended and restated, the provisions of the Silver Purchase Agreement require that, on a consolidated basis, the Company sell to Silver Wheaton during a contract year (August 6th to the following August 5th), 100% of the amount of silver produced from the San Dimas concessions up to 6 million ounces and 50% of silver produced thereafter, at the lower of (i) the current market price and (ii) $4.04 per ounce plus an annual increase of 1% (the "PEM Realized Price"). In 2016, the contract price was $4.26. The price paid by Silver Wheaton under the Silver Purchase Agreement represents the total value that the Company and its affiliates receive for the sale of silver to Silver Wheaton. The Silver Purchase Agreement continues indefinitely in respect of any silver produced from the San Dimas concessions.

The specific terms of the Silver Purchase Agreement require that the Company sell the silver through one of its non-Mexican subsidiaries, Silver Trading Barbados ("STB"), to Silver Wheaton's Cayman subsidiary, Silver Wheaton Caymans. As a result, the Company's Mexican subsidiary that holds the San Dimas concessions, Primero Empresa Minera ("PEM"), sells the required amount of silver produced from the San Dimas concessions to STB to allow it to fulfill its obligations under the Silver Purchase Agreement.

When the Company initially acquired the San Dimas mine, the sales from PEM to STB were made at the spot market price while the sales by STB to Silver Wheaton Caymans were at the contracted PEM Realized Price, which at that time was $4.04 per ounce. In order to reflect commercial realities and the effects of the Silver Purchase Agreement on the Company on a consolidated basis, PEM amended the terms of sales of silver between itself and STB and commenced to sell the amount of silver due under the Silver Purchase Agreement to STB at the PEM Realized Price. For Mexican income tax purposes PEM then recognized the revenue on these silver sales on the basis of its actual realized revenue, which was the PEM Realized Price.

APA

In order to provide the Company with stability and assurances that the SAT would accept the PEM Realized Price (and not the spot market silver price) as the proper price to use to calculate Mexican income taxes, the Company applied for and received the APA from the SAT. The APA confirmed the PEM Realized Price would be used as the Company's basis for calculating taxes owed by the Company on the silver sold under the Silver Purchase Agreement. The Company believed that the function of an APA was to provide tax certainty and as a result made significant investments in Mexico based on that certainty. Under Mexican law, an advanced pricing agreement is valid for five years and therefore the APA represented the SAT's agreement to accept the PEM Realized Price as the basis for calculating taxes for the tax years 2010 through 2014.

Challenge to APA for 2010 – 2014 tax years

The SAT has initiated a legal proceeding seeking to nullify the APA, however, the SAT has not identified an alternative basis in the legal claim for calculating taxes on the silver sold by PEM for which it receives the PEM Realized Price. If the SAT is successful in retroactively nullifying the APA, the SAT may seek to audit and reassess PEM in respect of its sales of silver in connection with the Silver Purchase Agreement for 2010 through 2014. The Company is an 'interested party' in this proceeding. While PEM would have rights of appeal in connection with any reassessments, if the legal proceeding is finally concluded in favour of the SAT, the amount of additional taxes that the SAT could charge PEM for the tax years 2010 through 2014 on the silver sold in connection with the Silver Purchase Agreement would likely have a material adverse effect on the Company's results of operations, financial condition and cash flows.

The Company intends to vigorously defend the validity of the APA. In addition, the Company intends to explore opportunities to minimize the potential impact on the Company in the event that the SAT is successful in its legal claim to nullify the APA, but there is no assurance that the Company will find or be able to implement a reasonable solution.

Uncertain tax treatment for tax years following 2014

For the 2015 and 2016 tax year, the Company continued to record its revenue from sales of silver for purposes of Mexican tax accounting in a manner consistent with the APA on the basis that the applicable facts and laws have not changed. The Company's legal and financial advisors continue to believe that the Company has filed its tax returns compliant with applicable Mexican law. Given the legal challenge by the SAT against the APA for the 2010-2014 tax years and the Company belief that it is unlikely that the SAT will agree to an Advance Pricing Agreement for the 2015-2019 tax years on terms similar to the challenged APA, it decided not to file an application for a renewed APA in respect of 2015 and the four subsequent years. To the extent the SAT determines that the appropriate price of silver sales under the Silver Purchase Agreement is significantly different from the PEM Realized Price and while PEM would have rights of appeal in connection with any reassessments, it is likely to have a material adverse effect on the Company's business, financial condition and results of operations.

Additional Capital

The mining, processing, development and exploration of Primero's properties, including the Cerro del Gallo Project and the Black Fox Complex, may require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production on any or all of Primero's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be attractive to Primero. Restrictions on incurring additional indebtedness in the Amended and Restated Silver Purchase Agreement, and in other agreements with existing or future lenders including the Revolving Credit Facility, may limit the ability of the Company to borrow to finance acquisitions. Declines in gold and silver prices could have the result of making additional capital unavailable to Primero.

Exchange Rate Fluctuations

Exchange rate fluctuations may affect the costs incurred in the Company's operations. Gold is sold in U.S. dollars and costs are incurred principally in U.S. dollars, Canadian dollars and Mexican pesos. The appreciation of the Mexican peso or the Canadian dollar against the U.S. dollar can increase the costs of gold production and capital expenditures in U.S. dollar terms. The Company also holds cash that is denominated in Canadian dollars and Mexican pesos which are subject to currency risk. The Company's head office general and administrative expenses are mainly denominated in Canadian dollars and are translated to US dollars at the average rate during the period, as such if the US dollar appreciates as compared to the Canadian dollar, the costs of the Company would decrease in US dollar terms. The Company is further exposed to currency risk through non-monetary assets and liabilities of its Mexican and Canadian entities whose taxable profit or loss is denominated in a non-US dollar currency.

Capital Cost and Operational Cost Estimates

The Company prepares budgets and estimates of cash costs and capital costs of production for its operations and its main costs relating to material costs, personnel and contractor costs, and energy costs. However, despite the Company's efforts to budget and estimate such costs, as a result of the substantial expenditures involved in the development of mineral projects and the fluctuation of costs over time, development projects may be prone to material cost overruns. The Company's actual costs may vary from estimates for a variety of reasons, including: short-term operating factors; revisions to mine plans; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability, floods, and earthquakes; and unexpected labour shortages or strikes. Operational costs may also be affected by a variety of factors, including: changing waste-to-ore ratios, ore grade metallurgy, labour costs, the cost of commodities, general inflationary pressures and currency exchange rates. Many of these factors are beyond the Company's control. Failure to achieve estimates or material increases in costs could have an adverse impact on the Company's future cash flows, business, results of operations and financial condition.

Furthermore, delays in the construction and commissioning of mining projects or other technical difficulties may result in additional capital expenditures being required. Any delay in the development of a project or cost overruns or operational difficulties once the project is fully developed may have a material adverse effect on the Company's business, results of operations and financial condition.

Current Global Financial Condition

After a period of lower volatility, following stabilization after the 2008-2009 global financial crisis, several disruptions to the international equities markets, credit markets, and other financial systems caused renewed volatility in 2015. Recent events, such as the collapse in global oil prices, ongoing geopolitical turmoil in the Middle East and Eastern Europe, softer Chinese economic growth outlook, and weak growth and deflationary pressures in the euro zone, have perpetuated significant instability in commodity prices.

Despite a recently strengthening U.S. economy, the extent of recovery remains uncertain. In addition, uncertainty related to the timing of impending interest rate increases by the U.S. Federal Reserve continues to cause waves in the financial markets, in turn, putting significant pressure on gold as an inflationary 'hedge', and by extension gold-focused equities.

This seeks to illustrate the degree to which events outside of the Company's control may affect commodity prices, demand for metals, including gold, silver, copper, lead and zinc, availability of credit, investor confidence, and general financial market liquidity, all of which may impact the Company's business.

The Company is also exposed to liquidity and various counterparty risks including, but not limited to: (i) financial institutions that hold the Company's cash; (ii) the Company's insurance providers; (iii) the Company's lenders; (iv) the Company's other banking counterparties and (v) the Company's Value Added Tax ("VAT") refund, as to when or whether the VAT arrears is eventually reimbursed. The Company is also exposed to liquidity risks in meeting its capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms attractive to the Company. As a result of this and the uncertainty of the recent market volatility, the Company's planned growth and the trading price of the Company's securities could either be adversely or positively impacted.

Effectiveness of Internal Control Over Financial Reporting

The Company is required to maintain and evaluate the effectiveness of its internal control over financial reporting under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* in Canada and under the Exchange Act in the United States. There is no assurance that the Company will be able to achieve and maintain the adequacy of its internal control over financial reporting as such standards are modified, supplemented, or amended from time to time, and the Company may not be able to ensure that it can conclude on an ongoing basis that its internal control over financial reporting is effective. The Company's failure to establish and maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of its financial statements. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could result in the Company's inability to meet its reporting obligations. There can be no assurance that the Company will be able to remediate material weaknesses, if any, identified in future periods, or maintain all of the controls necessary for continued compliance, and there can be no assurance that the Company will be able to retain sufficient skilled finance and accounting personnel. No evaluation can provide complete assurance that the Company's internal control over financial reporting will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported. In 2016, the Company documented and tested its internal control procedures in order to satisfy the requirements of the *Sarbanes-Oxley Act* , Primero's auditor delivered an attestation report on management's assessment of the effectiveness of Primero's internal control over financial reporting as at December 31, 2016.

Insurance and Uninsured Risks

Mining operations are subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, hurricanes and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Primero's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although Primero plans to maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with a mining Company's operations. Primero may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as loss of title to mineral property, environmental pollution, or other hazards as a result of exploration and production is not generally available to Primero or to other companies in the mining industry on acceptable terms. Primero might also become subject to liability for pollution or other hazards for which it may not be able or, due to the high cost of premiums, desirable to buy insurance. Losses from these events may cause Primero to incur significant costs that could have a material adverse effect on its financial performance and results of operations.

Operational Risks

Exploration, Development and Operating Risk

Primero's current activities are primarily directed towards mining operations and exploration projects at the San Dimas Mine, the Black Fox Complex, the Ventanas property and the Cerro Del Gallo Project. Mining operations generally involve a high degree of risk. Primero's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold and silver including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, causing delay or indefinite postponement of exploration, development or production, damage to life or property, environmental damage and possible legal liability. Although appropriate precautions to mitigate these risks are taken, mining operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish Mineral Resources and Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is difficult to ensure that the exploration or development programs planned by Primero will ultimately result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade, metallurgy and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection.

The exact effect of these factors cannot be accurately predicted, but the combination of any of these factors may result in Primero not receiving an adequate return on invested capital. There is no certainty that the expenditures made by Primero towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore.

Uncertainty in the Estimation of Mineral Reserves and Mineral Resources

The figures for Mineral Reserves and Mineral Resources contained in this Annual Information Form and used in the Company's mine models and as presented for the San Dimas Mine, Cerro del Gallo Project and the Black Fox Complex are the product of a mathematical model and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that Mineral Reserves can be mined or processed profitably. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources. Such estimation is a subjective process, and the accuracy of any Mineral Reserve or Mineral Resource estimate is a function of the quantity and quality of available data and tools, and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the Mineral Reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular period. In addition, there can be no assurance that gold or silver recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Fluctuation in gold and, to a lesser extent, silver prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. The volume and grade of Mineral Reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of Mineral Reserves and Mineral Resources, or of Primero's ability to extract these Mineral Reserves, could have a material adverse effect on Primero's results of operations and financial condition including, without limitation, an impairment loss and a write down of Primero's mining properties, discontinuance of production, and loss of interest in, or sale of, some of Primero's properties. In addition to other adverse consequences, recording an impairment loss and a write-down may result in Primero breaching certain tangible net worth financial covenants under the Revolving Credit Facility that could constitute an event of default. See "Introductory Notes – Cautionary Notes to United States Investors".

Uncertainty Relating to Inferred Mineral Resources and Exploration Potential

Inferred Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Mineral Resources with sufficient geological continuity to constitute Proven Mineral Reserves as a result of continued exploration. Exploration potential is conceptual in nature by definition and there is no assurance that exploration of the mineral potential identified will result in any category of Mineral Resources being identified.

Fluctuations in the prices of gold and silver, results of drilling, metallurgical testing and production, and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of Mineral Resources or Mineral Reserves could have a material adverse effect on the results of the Company's operations and financial condition.

Need for Additional Mineral Reserves

Since all mines have limited lives based on Mineral Reserves, Primero will be required to continually replace and expand its Mineral Reserves as its mines produce gold and silver. Primero's ability to maintain or increase its annual production of gold and silver will be dependent in significant part on its ability to expand Mineral Reserves at existing mines, to bring new mines into production and to complete acquisitions.

Title to Property

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. There is no guarantee that title to Primero's properties will not be challenged or impugned. Mineral property interests may be subject to prior unrecorded agreements or transfers or the claims of local people and title may be affected by undetected defects. There may be valid challenges to the title of these properties which, if successful, could require the Company to modify its operations and/or plans for development.

There can be no assurance that the Company will be able to secure the grant or the renewal of mining concessions on terms satisfactory to it, or that governments in the jurisdictions in which Primero's properties are situated will not revoke or significantly alter such permits or other tenures or that such mining concessions will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests and the mining concessions may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties.

Use of Ejido-owned Land

An Ejido is a communal ownership of land recognized by the federal laws in Mexico. While mineral rights are administered by the federal government through federally issued mining concessions, access to surface rights is also required for mining operations. An Ejido controls surface rights over its communal property through a board of directors. An Ejido may sell or lease lands directly to a private entity and it may also allow individual members of the Ejido to obtain title to specific parcels of land and thus the right to sell or lease the land.

The San Dimas Mine uses Ejidos' lands pursuant to written agreements with local Ejidos. Some of these agreements may be subject to renegotiation and changes to the existing agreements may increase operating costs or have an impact on operations. In cases where access to land is required for operations and an agreement cannot be reached with the Ejido or land owner, Primero may seek access under Mexican law which provides for priority rights for mining activities.

Three of the properties included in the San Dimas Mine and for which Primero holds legal title are subject to legal proceedings commenced by Ejidos seeking title to the property. None of the proceedings name Primero as a party and Primero therefore has no standing to participate in them. In all cases, the defendants are previous owners of the properties, either deceased individuals who, according to certain public deeds, owned the properties more than 80 years ago, corporate entities that are no longer in existence, or Goldcorp companies. The proceedings also name the Tayoltita Property Public Registry as co-defendant.

Two of the legal proceedings were decided in favour of the Ejidos in 2015, resulting in Primero's gaining standing rights as an affected third party. Upon becoming aware of the decisions, the Company obtained injunctions to suspend any legal effect of the decisions while the Company proceeds with a legal process to nullify the Ejido's claim by submitting evidence of Primero's legal title. In February 2017, one of the two legal processes to nullify the Ejidos' claim was decided in favour of Primero and was later appealed by the Ejido, and the decision on the appeal is still pending. The second proceeding is ongoing. The third outstanding legal proceeding commenced by the Ejidos has not been decided and the Company remains without standing to participate therein because it was not named as a party. In the event a final decision is rendered in favour of the Ejido in that proceeding, Primero will seek to annul such decision by defending its position as the legitimate owner. If Primero is not successful in these challenges, the San Dimas Mine could face higher costs associated with agreed or mandated payments that would be payable to the Ejidos for use of the properties.

Indigenous Peoples and Local Communities

There are numerous international and national laws, codes, resolutions, conventions, guidelines, policies and other statements addressing the rights of indigenous peoples. The Company currently operates in certain areas presently or previously used by indigenous peoples. Many of the laws or statements impose obligations on government in respect of the rights of indigenous people and some mandate or suggest consultation with indigenous people regarding government actions which may affect them, including the approval or grant of mining rights or permits. The obligations of government and private parties to indigenous people continue to evolve. The Company's current and future operations are subject to a risk that one or more groups of indigenous people may oppose continued operation, further development, or new development of the Company's projects or operations.

Surrounding communities and landowners are also stakeholders who may seek to interfere with the Company's operations and development activities. Such opposition may be directed through legal or administrative proceedings, or expressed in manifestations such as protests, roadblocks or other forms of public expression against the Company's activities.

Government Regulations, Consents and Approvals

Exploration and development activities and mining operations are subject to laws and regulations governing health and work safety, employment standards, environmental matters, mine development, prospecting, mineral production, exports, taxes, labour standards, reclamation obligations and other matters. It is possible that future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of permits and agreements applicable to the Company or its properties which could have a material adverse impact on the Company's operations and exploration program and future development projects. Where required, obtaining necessary permits and licences can be a complex, time consuming process and there can be no assurance that required permits will be obtainable on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from proceeding with the development of an exploration project or the operation or further development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities, which could have an adverse effect on the business, financial condition or results of operation of the Company. Due to stringent government regulation, the Company may experience difficulties in obtaining permits for the use of explosives in Mexico and these difficulties could interrupt its operations.

Health and Safety Hazards

The personnel involved in Primero's mining operations are subject to many inherent health and safety risks and hazards which could result in occupational illness or health issues, personal injury and loss of life. Primero strives to advance safety performance across all regions of its operations and projects to identify, minimize and manage health and safety risks. Although precautions to mitigate these risks have been taken, these risks cannot be eliminated and may adversely affect the Company's business and operations.

Environmental Permitting Risks and Environmental Hazards

Government approvals and permits are currently, and may in the future be, required in connection with the Company's mining operations. To the extent such approvals are required and not obtained, Primero may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on Primero and its results of operations and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Primero's operations may cause damage to the environment, which could lead to government environmental authorities imposing fines, total or partial closures, compensatory measures or mandated investment in infrastructure. Examples of environmental damage that could result from operations include, but are not limited to, industrial fires, forest fires, oil spills, tailings dam spills, unforeseen emissions to the atmosphere and hazardous material soil filtrations.

The potential exposure to environmental risks may be significant and could have a material adverse effect on the Company. Primero has $25 million of sudden and accidental pollution coverage in its commercial general liability program. The policy can be activated if the pollution is discovered and reported within 10 days. The policy provides protection for third party bodily injury and/or property damage but not first party losses. In addition, the policy does not cover any fines or penalties or any costs of government mandated clean-up. All of the Company's exploration, development and production activities are subject to regulation under one or more of the various federal and provincial environmental laws and regulations in Canada. Many of the regulations require the Company to obtain permits for its activities. The Company must update and review its permits from time to time, and is subject to environmental impact analyses and public review processes prior to approval of the additional activities. It is possible that future changes in applicable laws, regulations and permits or changes in their enforcement or regulatory interpretation could have a significant impact on some portion of its business, causing those activities to be economically re-evaluated at that time. Those risks include, but are not limited to, the risk that regulatory authorities may increase bonding requirements beyond the Company's financial capabilities. See Risk Factors- Financial Risks – Insurance and Uninsured Risks.

Environmental Permitting Risks and Environmental Hazards – Mexico

Primero's mining operations are subject to Mexican and applicable state environmental regulations. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also establish limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will likely require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Primero's results of operations. Environmental hazards may exist at the Company's properties which are unknown to Primero at present and which have been caused by previous or existing owners or operators of the properties. Primero did not complete an environmental audit or other comparable environmental due diligence in connection with the acquisition of the San Dimas Mine.

Environmental Permitting Risks and Environmental Hazards - Canada

The Canadian mining industry is subject to federal and provincial environmental protection legislation. This legislation imposes strict standards on the mining industry in order to reduce or eliminate the effects of waste generated by extraction and processing operations and subsequently emitted into the air or water. Consequently, drilling, refining, extracting and milling are all subject to the restrictions imposed by this legislation. In addition, the construction and commercial operation of a mine typically entail compliance with applicable environmental legislation and review processes, as well as the obtaining of permits, particularly for the use of the land, permits for the use of water, and similar authorizations from various government bodies. Canadian federal, provincial, and local laws and regulations relating to the exploration for and development, production and marketing of mineral production, as well as environmental and safety matters have generally become more stringent in recent years, often imposing greater liability on a larger number of potentially responsible parties. Because the requirements imposed by such laws and regulations are frequently changed, the Company is unable to predict the ultimate cost of compliance with such requirements. There is no assurance that environmental laws and regulations enacted in the future will not adversely affect the Company's financial condition and results of operations.

The Company is subject to potential risks and liabilities associated with environmental compliance and the disposal of waste rock and materials that could occur as a result of the Company's mineral exploration and production. In certain circumstances, the potential liabilities can include liability for costs of remediation and cleanup of mines which the Company owned or operated in the past, but no longer owns or operates. To the extent that the Company is subject to environmental liabilities, the payment of such liabilities or the costs that the Company may incur to remedy any non-compliance with environmental laws would reduce funds otherwise available to it and could have a material adverse effect on the Company's financial condition or results of operations. If the Company is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

San Dimas Tailings Management Risks

Tailings containment sites which existed at the time of DMSL's acquisition of the San Dimas Mine were not subjected to comprehensive geotechnical investigation before construction, normal safety factors in dam design, seepage monitoring or control, or controls on public or wildlife access to cyanide solution ponds or pumping installations. Work was undertaken to address the deficiencies with the tailings management aspect of the operations and capital investments were carried out to upgrade the containment structures and tailings operations and to remediate the Tayoltita tailings dam. In 2014 a Technical Review and Risk Assessment of the Cupias tailing storage facility was performed by Amec Foster Wheeler. The final assessment delivered in early 2015 shows that the facility exceeds the minimum factors of safety criteria for static and seismic loading conditions for both the current and ultimate storage configurations. Preliminary evaluations of the current surface water management facilities shows that the ditches, diversion dam and other structures require modifications to accommodate storm events. The engineering of these improvements was completed in 2015 with construction planned for 2017.

The Company anticipates that further expenditures will be required to maintain compliance with applicable environmental regulations, which are becoming more stringent and can be expected to become more aligned with international guidelines in the future. The Company will incur environmental liability for mining activities conducted both before and after it acquired ownership of the San Dimas Mine. To the extent that the Company is subject to unfunded or uninsured environmental liabilities, the payment for such liabilities would reduce funds otherwise available and could have a material adverse effect on the Company. Should the Company be unable to fund fully the cost of remedying an environmental problem, the Company may be required to suspend operations or enter into interim compliance measures pending completion of required remediation, which could have a material adverse effect on the Company.

The asset purchase agreement entered into in connection with the acquisition of the San Dimas Mine does not provide for any indemnities from DMSL against any potential environmental liabilities, including, but not limited to, those that may arise from possible failure of the San Antonio tailings dam. Primero has indemnified DMSL for any future environmental claims or liabilities. See "Mining Activities – San Dimas Mine – Environmental Matters."

Labour and Employment Matters

Union contracts for the San Dimas Mine are renegotiated every two years, except for the compensation aspects, which are reviewed annually. See "Business of Primero – Changes to Contracts." Production at the Company's properties will continue to be dependent upon the ability of Primero to continue to maintain good relations with its employees and the unions. In addition, relations between Primero and its employees may be impacted by changes in the scheme of labour relations which may be introduced by the relevant governmental authorities. Adverse changes in such legislation or in the relationship between Primero with its employees and unions may have a material adverse effect on Primero's business, results of operations and financial condition.

Foreign Operations Risks – Mexico

A portion of the Company's mining and mineral exploration operations are currently conducted in Mexico, and as such Primero's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, terrorism; organized crime; kidnapping and hostage taking; extortion; military repression; theft; expropriation; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; delays in obtaining or the inability to obtain or maintain necessary governmental permits, opposition to mining from environmental or other non-governmental organizations (whether or not grounded in law, rule or non-binding statement of principles) in the form of legal challenges, protest or activity targeted against the Company; illegal mining, trespass and associated security threats and unsafe activities; changes in royalty and taxation regimes; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

The Company has taken a variety of measures to protect its employees, contractors, property and facilities against safety and security risks such as crime, illegal mining, kidnapping, theft, vandalism and trespass. However, there can be no assurance that such measures will be effective or that incidents of criminal activity, illegal mining, theft, vandalism or trespass will not have an adverse impact on the Company's operations, property or facilities, including the potential for harm to people or property, increased costs, and disruptions to production and the Company's ability to meet production goals.

Changes, if any, in mining, taxation or investment policies, or shifts in political attitude in Mexico may adversely affect Primero's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, royalties, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on Primero's operations or profitability.

Following Enrique Peña Nieto's election as President in 2012, the *Congreso General de los Estados Unidos Mexicanos* ("Mexican Congress") has functioned without the ruling party having a majority. This could result in a deadlock and prevent the timely implementation of political and economic reforms, which in turn could have a material adverse effect on Mexican economic policy.

The San Dimas Mine is in a remote location and obtaining financing or finding or hiring qualified people or obtaining all necessary services for the Company's operations in Mexico may be difficult. It may be difficult to find or hire qualified people in the mining industry to work at San Dimas or to obtain all the necessary services or expertise in Mexico or to conduct operations on its projects at reasonable rates. If qualified people and services or expertise cannot be obtained in Mexico, the Company may need to seek and obtain those services from people located outside Mexico, which will require work permits and compliance with applicable laws and could result in delays and higher costs to the Company to conduct its operations in Mexico.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations. Any interruption in power supply or any interruption in water supply due to, *inter alia* , periods of drought or low rainfall could adversely impact the Company's operations. As part of the ongoing effort to optimize the design of the proposed Cerro del Gallo installations, particular attention has been given to locating a reliable water source for operations and to install a reliable electrical connection to the national grid.

Competition

The mining industry is competitive in all of its phases. Primero faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious and base metals. Many of these companies have greater financial resources, operational experience and technical capabilities than Primero. The ability of the Company to acquire mineral properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for development or mineral exploration. In addition, the Company also competes with its competitors over sourcing raw materials, supplies and services used in connection with its mining operations, including skilled experience workers and management.

Acquisitions

The Company might pursue the acquisition of exploration, development and production assets consistent with its acquisition and growth strategy. There is no assurance, however, that the Company will be able to identify projects or companies that are suitable or that are available for sale at reasonable prices or that it will be able to consummate any acquisition, or integrate any acquired business into its operations successfully. Acquisition transactions and the operation of acquired properties, involve inherent risks, including but not limited to: accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates; ability to achieve identified and anticipated operating and financial synergies; unanticipated costs; diversion of management attention from existing business; potential loss of the Company's key employees or key employees of any business acquired; unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and decline in the value of acquired properties, companies or securities. Any one or more of these factors or other risks could cause the Company not to realize the anticipated benefits of an acquisition of properties or companies, and could have a material adverse effect on the Company's financial condition.

To acquire properties and companies, the Company may be required to use available cash, incur debt, issue additional Common Shares or other securities, or a combination of any one or more of these. This could affect the Company's future flexibility and ability to raise capital, to operate, explore and develop its properties and could dilute existing shareholders and decrease the trading price of the Common Shares. There is no assurance that the Company will be able to raise additional capital if necessary to complete an acquisition or to develop or operate the acquired asset thereafter (see "Risk Factors – Operational Risks – Additional Capital"). There is no assurance that when evaluating a possible acquisition, the Company will correctly identify and manage the risks and costs inherent in the business to be acquired. Restrictions on incurring additional indebtedness in the Amended and Restated Silver Purchase Agreement may limit the ability of the Company to borrow to finance acquisitions.

The San Dimas Assets and the shares of Silver Trading acquired on August 6, 2010, were acquired on an "as is, where is" basis and the representations and warranties and indemnities provided by DMSL and GSBL (together the "San Dimas Vendors") in respect of the San Dimas Assets are limited. Consequently, the recourse the Company may have against the San Dimas Vendors is limited. Further, there may be liabilities that the Company failed to discover or was unable to quantify in its due diligence. The Company may not be indemnified for some or all of these liabilities.

Permitting

The Company's operations are subject to receiving and maintaining permits (including environmental permits) from appropriate governmental authorities. Although the Company's mining operations currently have all required permits for their operations as currently conducted, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations, additional permits for any possible future changes to operations, or additional permits associated with new legislation. Furthermore, prior to any development on any of its properties, the Company must receive permits from appropriate governmental authorities. There can be no assurance that the Company will continue to hold or obtain, if required to, all permits necessary to develop or continue operating at any particular property.

Development of New Projects

The Company has projects at various stages of evaluation and development. There are inherent development, construction and permitting-related risks to the development of all new mining projects. These risks include the ability to assemble all required land and other usage rights in a cost effective manner; availability and delivery of critical equipment; the hiring of key personnel (including outside consultants) for construction, commissioning and operations and the supervision of that personnel; delays associated with the work of third-party contractors; and budget overruns and currency fluctuations. The Company will be required to rely upon outside consultants, engineers and others for additional construction expertise in respect of its development projects. In addition, delays in the commencement of mineral production often occur. Accordingly, there can be no assurance that the Company's activities will result in profitable mining operations at its development projects.

Key Personnel

The Company's ability to successfully operate its mining properties and execute on its business strategy depends on its key executives and on certain operating personnel in Canada and Mexico. The Company's ability to manage administration, production, exploration and development activities and acquisition strategies, and hence its success, will depend in large part on the efforts of these individuals. The Company cannot be certain that it will be able to retain such personnel or attract a high calibre of personnel in the future. As such, the loss of any key officer of the Company could have an adverse impact on the Company, its business and its financial position. The Company has not purchased any "key-man" insurance with respect to any of its directors or officers as of the date hereof. The Company faces intense competition for qualified personnel, and the loss of the services of one or more of such key personnel could have a material adverse effect on the Company's business or operations.

Subsidiaries

Primero conducts operations through Canadian and foreign (Barbadian, Luxembourger and Mexican) subsidiaries, and a significant portion of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict Primero's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on Primero's valuation and stock price.

Litigation

The Company is aware of class action lawsuits having been filed in February 2016 against the Company in the State of California seeking to recover damages for investors in the Company's common shares under the U.S. federal securities laws. The Company filed a motion to dismiss which was granted on January 30, 2017. The plaintiff's claims were dismissed without prejudice and the plaintiffs filed an amended complaint on February 28, 2017. The Company will vigorously defend these class action lawsuits if they proceed. The Company may also be, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company cannot reasonably predict the likelihood or outcome of these actions. If the Company is unable to resolve these disputes favourably, it may have a material adverse impact on the Company's financial performance, cash flow and results of operations. See Risk Factors – Operational Risks – Use of Ejido Owned Land and Risk Factors – Financial Risks – Challenge to the 2012 APA.

Reputational Risk

Damage to Primero's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Companies are at greater risk of losing control over how they are perceived in the marketplace due to increased usage of social media and other web- based tools used to generate, publish and discuss user-generated content and to connect with other users. Although Primero believes that it operates in a manner that is respectful to all stakeholders and that it places a great emphasis on protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. An impaired reputation may lead to increased challenges in developing and maintaining community relations, decreased investor confidence and an impediment to the Company's overall ability to advance its projects thereby having a material adverse impact on the Company's results of operations, financial condition and growth prospectus.

DIVIDENDS

The Company has not paid dividends since its incorporation. The future payment of dividends or distributions will be dependent upon the financial requirements to fund future growth, the financial condition of the Company and other factors the Board may consider appropriate in the circumstances. The Company is not aware of any restrictions that could prevent the paying of dividends or distributions.

CAPITAL STRUCTURE

Primero's authorized share capital consists of an unlimited number of common shares without par value ("Common Shares") and an unlimited number of preferred shares without par value. As of December 31, 2016, there were 189,508,365 Common Shares issued and outstanding as fully paid and non-assessable and no preferred shares issued and outstanding. As of the date of this AIF, 191,318,899 Common Shares are issued and outstanding and no preferred shares are issued and outstanding.

Common Shares

Subject to the rights of the holders of the preferred shares of the Company, holders of Common Shares of the Company are entitled to dividends if, as and when declared by the directors. Holders of Common Shares of the Company are entitled to one vote per Common Share at meetings of shareholders except at meetings at which only holders of a specified class of shares are entitled to vote. Upon liquidation, dissolution or winding-up of the Company, subject to the rights of holders of preferred shares, holders of Common Shares of the Company are to share rateably in the remaining assets of the Company as are distributable to holders of Common Shares. The Common Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any preemptive or conversion rights.

Preferred Shares

Preferred shares may be issued from time to time in one or more series, ranking equally on winding-up, to repayment of the amount paid up on such shares, and to carry and be subject to, as a class, the following special rights and restrictions pertaining to (but not limited to) dividends, redemption or purchase rights, rights of retraction, rights of conversion, terms and conditions of any share purchase plan or sinking fund, rights upon dissolution of the Company, and voting, as the directors of the Company may, from time to time, determine by resolution. Currently the preferred shares rank in priority over Common Shares as to dividends and return of paid up capital upon dissolution or winding up of the Company. Holders of preferred shares are not entitled to notice or to vote at meetings of shareholders (except where holders of a specified class or series are entitled to a separate vote in accordance with the Act **.** The Company may at any time purchase for cancellation or redeem the preferred shares that may be issued and holders of preferred shares may require the Company to retract such shares in accordance with the terms upon which such have been issued.

Options, Warrants and Debentures

As of the date of this AIF, the Company also had outstanding obligations to issue up to an aggregate of 19,131,684 Common Shares in respect of options and warrants as follows:

- stock options to purchase 8,120,434 Common Shares at a price ranging from CDN$0.75 to USD$15.09 expiring between March 31, 2017 and March 24, 2022; and
- warrants to purchase an aggregate of 11,011,250 Common Shares at a price of CDN$3.35, expiring on June 28, 2018.

In addition, as of the date of this AIF, the Company also had outstanding obligations to issue up to 11,450,385 Common Shares in respect of convertible debentures.

Directors Phantom Share Units

On March 27, 2012, the Board approved the adoption of a director's phantom share unit plan (the "Directors' PSU Plan"), which subsequently received shareholder approval on May 28, 2012. Shareholders of the Company did not approve the renewal of the Directors' PSU Plan at its annual general and special meeting held on May 6, 2015. Members of the Board, other than a member who is an officer or employee of Primero or Primero's subsidiaries, are eligible to participate in the Directors' PSU Plan. A person holding a phantom share unit (a "Director PSU") under the Directors' PSU Plan is entitled to elect to receive, at vesting (subject to blackout periods), either (a) cash in an amount equal to the volume weighted average trading price per Common Share over the five preceding trading days, or (b) Common shares in number equal to the number of Directors' PSUs. If no election is made, the Company will pay out such Directors' PSUs in cash. All outstanding Director PSUs previously issued under the Directors' PSU Plan are unaffected and remain outstanding; however, the Company is not able to make any new grants of Directors PSUs under the Directors' PSU Plan. As of the date of this AIF, the Company had outstanding 74,627 Director PSUs, vesting December 1, 2017 and expiring December 31, 2017.

Employee Phantom Share Units

On March 28, 2013, the Board approved the adoption of an employee phantom share unit plan (the "2013 PSU Plan"), which subsequently received shareholder approval on May 8, 2013. Employees and officers of Primero, or Primero's subsidiaries, are eligible to participate in the 2013 PSU Plan. The Company can elect to pay a person holding a phantom share unit (a "2013 PSU") under the 2013 PSU Plan, at vesting (subject to blackout periods), either (a) cash in an amount equal to the volume weighted average trading price per Common Share over the five preceding trading days, or (b) Common shares in number equal to the number of 2013 PSUs. As of the date of this AIF, the Company had outstanding 5,740,986 Employee PSUs, vesting between March 31, 2017 and March 24, 2020 and expiring between December 31, 2017 and December 31, 2020 **.**

Deferred Share Units

On March 23, 2015, the Board approved the adoption of a deferred share unit plan (the "DSU Plan"), which subsequently received shareholder approval on May 6, 2015. The DSU Plan permits "Key Officers" to receive deferred share units ("DSUs") as part of the Company's succession planning, as well as to allow them to participate in the long-term success of the Company and to promote a greater alignment of their interests with shareholders. A DSU is a unit equivalent in value to a share. Key Officer is defined in the DSU Plan as the Company's Chairman of the Board, Vice-Chairman of the Board, or any officer who, in the opinion of the Human Resources Committee, has demonstrated a capacity for contributing in a substantial measure to the successful performance of the Company or a related entity. As of the date of this AIF, the maximum number of shares that may be issued under the DSU Plan is 316,000, representing approximately 0.165% of the outstanding shares, and the Company had outstanding 315,790 DSUs.

MARKET FOR SECURITIES

Common Shares

The Company's Common Shares are traded on the TSX under the symbol "P". Commencing on August 15, 2011, the Company's Common Shares began trading on the NYSE under the symbol "PPP". The following table shows the high and low trading prices and monthly trading volume of the Common Shares of Primero on the TSX for the periods listed:

Period	High (CDN$)	Low (CDN$)	Volume
2016			
January	$ 3.78	$ 2.66	12,987,703
February	3.78	1.935	31,048,113
March	2.82	2.02	39,942,193
April	2.68	1.94	32,516,087
May	2.69	2.11	21,003,701
June	2.74	2.14	31,716,977
July	3.42	2.72	18,010,678
August	3.06	1.96	18,811,320
September	2.33	1.97	17,322,750
October	2.22	1.79	17,152,607
November	1.98	1.01	26,859,829
December	1.28	0.94	15,120,127
2017			
January	$ 1.14	$ 0.98	8,981,772
February	1.21	0.82	11,877,972
March 1 – 30	0.86	0.70	10,583,973

Warrants

The Company's Warrants are traded on the TSX under the symbol "P.WT.C". The warrants commenced trading on June 24, 2016. The following table shows the high and low trading prices and monthly trading volume of the warrants of Primero on the TSX for the periods listed:

P.WT.C

Period	High (CDN$)	Low (CDN$)	Volume
2016			
June	$ 0.60	$ 0.36	1,366,737
July	1.05	0.68	1,009,050
August	0.98	0.41	362,150
September	0.51	0.45	24,213
October	0.55	0.45	115,050
November	0.49	0.10	362,300
December	0.25	0.12	448,662
2017			
January	$ 0.20	$ 0.14	197,350
February	0.18	0.08	632,500
March 1 – 30	0.09	0.05	638,750

Convertible Debentures

The Company's 2015 Debentures are traded on the TSX under the symbol "P.DB.V". The following table shows the high and low trading prices and monthly trading volume of the convertible debentures of Primero on the TSX for the periods listed:

P.DB.V

Period	High (CDN$)	Low (CDN$)	Volume
2016			
January	$ 85.00	$ 75.02	384,000
February	82.00	75.00	1,365,000
March	86.00	82.00	3,294,000
April	85.00	80.00	2,215,000
May	83.00	80.00	3,597,000
June	86.13	78.01	2,212,000
July	92.00	88.00	2,834,000
August	91.00	83.54	3,360,000
September	84.00	81.00	4,552,000
October	85.00	81.02	177,000
November	82.25	61.00	3,890,000
December	70.00	65.00	97,000
2017			
January	$ 68.00	$ 65.00	65,000
February	70.00	57.01	5,215,000
March 1 – 30	60.00	55.00	2,937,000

PRIOR SALES

During the financial year ended December 31, 2016, Primero issued or granted the following Common Shares or securities convertible into Common Shares:

Date of Issuance	Number and Type of Securities Issued	Issue or Exercise Price Per Security (CDN$)
December 16, 2016	11,871 Common Shares (2)	$1.08
December 14, 2016	30,098 Common Shares (1)	$1.21
December 13, 2016	15,049 Common Shares (1)	$1.21
December 12, 2016	33,476 Common Shares (1)	$1.21
December 9, 2016	974,874 Common Shares (5)	$1.91
December 7, 2016	38,788 Common Shares (2)	$1.24
December 2, 2016	43,072 Common Shares (1)	$1.21
November 21, 2016	40,670 Common Shares (2)	$1.04
November 21, 2016	260,415 2013 PSUs (3)	$1.36
November 21, 2016	347,938 stock options	$1.36
November 16, 2016	33,136 Common Shares (2)	$1.10
October 7, 2016	35,665 Common Shares (2)	$1.98
September 23, 2016	178,681 2013 PSUs (3)	$2.16
September 23, 2016	256,410 stock options	$2.20
September 14, 2016	186,054 Common Shares (2)	$2.20
August 16, 2016	331,729 Common Shares (2)	$2.34
August 9, 2016	6,293 2013 PSUs (3)	$2.38
June 27, 2016	8,981 Common Shares (2)	$2.56
June 24, 2016	22,022,500 Common Shares (4)	$2.08
June 24, 2016	11,011,250 Common Share Purchase Warrants (4)	$3.35
June 17, 2016	15,380 Common Shares (2)	$2.58
June 9, 2016	879,397 Common Shares (5)	$1.91
May 30, 2016	12,231 Common Shares (2)	$2.16
May 17, 2016	10,955 Common Shares (2)	$2.60
May 13, 2016	9,363 Common Shares (2)	$2.39
May 12, 2016	8,592 Common Shares (2)	$2.33
May 11, 2016	50,354 Common Shares (2)	$2.29
May 9, 2016	21,892 Common Shares (2)	$2.24
May 6, 2016	734,801 2013 PSUs (3)	$2.34
April 1, 2016	46,148 Common Shares (2)	$2.27
March 18, 2016	2,865,949 2013 PSUs (3)	$2.54
March 4, 2016	462,283 Common Shares (2)	$2.08
February 23, 2016	2,177,969 stock options	$2.95

Notes:

(1) Issued as consideration for awards under the Directors' PSU Plan.
(2) Common shares issued as settlement for vested phantom share units under the 2013 PSU Plan.
(3) Units issued to employees and officers for which the Company may elect to make the applicable payout under the 2013 PSU Plan in the form of cash or Common Shares. Each 2013 PSU was priced based on the closing price of the Common Shares on the TSX on the date of issuance.
(4) Common shares and common share purchase warrants issued pursuant to the equity offering completed on June 24, 2016.
(5) Common shares issued as consideration for the purchase of Coral Silver's mining concessions.

DIRECTORS AND OFFICERS

The following table is as at the date of the AIF and sets out the name, province/state of residence, positions and/or offices held with the Company, and principal occupations of each person who is a director and/or an executive officer of the Company, as well as the period during which each person, if applicable, has been a director of the Company.

The term of office of each director of the Company ends immediately before the election of directors at the annual meeting of shareholders each year.

Name and Residence	Position(s) with the Company	Principal Occupation	Director Since
JOSEPH CONWAY (1)(2) Ontario, Canada	Vice Chairman, Interim President and Chief Executive Officer	Vice Chairman, Interim President and Chief Executive Officer	June 28, 2010
DAVID DEMERS (3)(4) British Columbia, Canada	Director	Consultant, Crocus Advisors Ltd.	October 29, 2008
GRANT EDEY (2) (4) (5) Ontario, Canada	Director	President and Chief Executive Officer of Khan Resources Inc.	June 28, 2010
PATRICIA A. FORTIER (2)(4)(6) Ontario, Canada	Director	Former Canadian diplomat Corporate Director	November 1, 2016
BRAD MARCHANT (2)(5) British Columbia, Canada	Director		June 26, 2013
WADE NESMITH British Columbia, Canada	Chairman and Director	Chairman of the Company	October 29, 2008

Name and Residence	Position(s) with the Company	Principal Occupation	Director Since
ROBERT A. QUARTERMAIN (2)(3) British Columbia, Canada	Director	Executive Chairman and Director of Pretium Resources Inc.	June 28, 2010
MICHAEL RILEY (3)(5) British Columbia, Canada	Director	Corporate Director	April 22, 2010
TAMARA BROWN (1) Ontario, Canada	Vice President, Corporate Development	Vice President, Corporate Development of the Company	N/A
KEVIN JENNINGS (1) Ontario, Canada	Chief Financial Officer	Chief Financial Officer of the Company	N/A
H. MAURA LENDON (1) Ontario, Canada	Chief General Counsel and Corporate Secretary	Chief General Counsel and Corporate Secretary of the Company	N/A
JAMES MALLORY, Ontario, Canada	Vice President, Corporate Responsibility	Vice President, Corporate Responsibility	N/A
DAMIEN MARANTELLI (1) Ontario, Canada	Chief Operating Officer	Chief Operating Officer of the Company	N/A
LOUIS TONER Quebec, Canada	Vice President, Project Development and Construction	Vice President, Project Development and Construction	N/A

(1) Member of the Disclosure Committee.
(2) Member of the Technical and Corporate Responsibility Committee, formerly known as the Corporate Responsibility Committee. Mr. Conway was appointed to the Technical Corporate Responsibility Committee on February 17, 2016. Mr. Marchant is the Chair of the Technical and Corporate Responsibility Committee.
(3) Member of the Human Resources Committee. Mr. Quartermain is the Chair of the Human Resources Committee.
(4) Member of the Governance and Nominating Committee. Mr. Demers is the Chair of the Governance and Nominating Committee.
(5) Member of the Audit Committee. Mr. Riley is the Chair of the Audit Committee.
(6) Ms. Fortier was appointed to the Governance & Nominating Committee and the Technical and Corporate Responsibility Committee, effective November 1 and ratified by the Board on November 8, 2016.

As of the date of this AIF, the directors and executive officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control or direction over 2,231,037 Common Shares, being 1.17% of the issued Common Shares on a non-diluted basis. The statement as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of the Company, as a group, is based upon information furnished by the directors and executive officers.

Principal Occupations and Other Information about Primero's Directors and Executive Officers

The principal occupations of each of the Company's directors and executive officers within the past five years are disclosed in the biographies set forth below.

Joseph Conway – Vice Chairman, Interim President and Chief Executive Officer

Joseph Conway was appointed Interim President and Chief Executive Officer upon the departure of Mr. Ernest Mast as President and Chief Executive Officer effective March 6, 2017. Mr. Conway was appointed President and Chief Executive Officer of the Company on June 1, 2010, and has been a director of the Company since June 28, 2010. Mr. Conway ceased to be President of Primero on February 2, 2015, and retired from his position as Chief Executive Officer on January 31, 2016. Effective February 1, 2016, he became Executive Vice Chairman of the Company. He has also been a director of Orezone Gold Corporation since October 2014. Mr. Conway was a non-executive director of Santana Mineral Limited from June 2013 to November 2015. Mr. Conway was a director of Dalradian Resources Inc. from June 2010 to May 2013. He served as President and Chief Executive Officer and a director of IAMGOLD Corporation ("IAMGOLD") from January 2003 until January 2010 and was a director of IAMGOLD from January 2004 until December 2009. Mr. Conway was President, Chief Executive Officer and a director of Repadre Capital Corporation from September 1995 until January 2003. From 1989 until 1995, he was Vice President and a director of Nesbitt Burns, a Canadian investment dealer. He was a stock analyst with Walwyn Stodgell Cochran and Murray from 1987 to 1989, and a mine and exploration geologist from 1981 to 1985. Mr. Conway has a Bachelor of Science degree from Memorial University and a Master of Business Administration degree from Dalhousie University.

David Demers – Director

David R. Demers has been a director of the Company since October 28, 2008. He was one of the founding members of Westport Fuel Systems, a University of British Columbia spinoff company that has grown into the world's leading alternative fuels automotive systems company, supplying CNG and LNG systems to many of the world's leading manufacturers of cars and commercial vehicles. Mr. Demers served as CEO and a director of Westport from 1996 until July 2016, when it merged with Fuel Systems Solutions of New York. Mr. Demers has worked as a Director of a number of technology start-ups, including EnWave (TSX:ENW) as it was spun out of the University of British Columbia until it completed its initial public offering, and was Chair of BrightSide which was sold to Dolby. He also served as a Director of Clean Energy Fuels (CLNE) through its NASDAQ listing. Mr. Demers obtained a Bachelor of Science (Physics) in 1976 and a Juris Doctor in 1978, both from the University of Saskatchewan.

Grant Edey – Director

Mr. Edey has been a director of the Company since June 28, 2010. He has been the President and Chief Executive Officer of Khan Resources Inc., since July 2010 and a director of Khan Resources Inc. since February 2007. Mr. Edey was Chief Financial Officer of IAMGOLD from 2002 until August 2007. From 1996 until 2002, he was the Vice President, Finance, Chief Financial Officer and Corporate Secretary of Repadre Capital Corporation. Before joining Repadre Capital Corporation, Mr. Edey held senior positions with Strathcona Mineral Services Limited, TransCanada Pipelines Limited, Eldorado Nuclear Limited, Rio Algom Limited and INCO Limited. Mr. Edey has a Master of Business Administration from the University of Western Ontario and a Bachelor of Science (Mining Engineering) degree from Queen's University.

Patricia A. Fortier - Director

Patricia A Fortier has been a director of the Company since November 1, 2016. Ms. Fortier is a former Canadian diplomat whose career has focused on political relations, governance, international security, and trade and investment – notably involved with the extractive and defence industries abroad. She most recently acted in the role of Assistant Deputy Minister responsible for Security, Consular, and Emergency Management in Global Affairs Canada. Ms. Fortier was the past Canadian Ambassador to Peru and Bolivia and the Canadian Ambassador to the Dominican Republic. She was also the Minister-Counsellor (Political) at the Canadian Embassy in Washington, D.C. Ms. Fortier's past work abroad includes being Senior Advisor to the OAS Electoral Observation Mission to Peru and Chief Advisor to the High Level Mission to Peru. In Costa Rica, she worked with international NGOs on climate change (Earth Council) and human rights/democracy (Instituto Interamericano de los Derechos Humanos). Other diplomatic postings included Chile, Canadian mission to the United Nations in New York, India, Kenya and Zambia. She was also a member of the board of the Pearson Peacekeeping Centre. Ms. Fortier has a Master's degree in Public Administration and a BA (Honours) from Queen's University and was a Weatherhead Fellow at Harvard University. She is fluent in English, Spanish and French.

Brad Marchant – Director

Mr. Marchant has been a director of the Company since June 2013. He is co-founder of Triton Mining Corporation and successfully took the Limon mine in Nicaragua from exploration through to production and expansion. Mr. Marchant has over 30 years of experience in the mining and environmental industry both in management and as a director. He has worked with numerous mining and technology companies including Coastech Research Inc., Triton Mining Corporation, Placer Dome Ltd., Equity Silver Mines Ltd., Enterra Feed Corporation and Wabush Mines Ltd. He also founded a new water treatment company, BioteQ Environmental Technologies Inc., which is focused on finding water treatment solutions for mining companies experiencing metallurgical and environmental challenges. Mr. Marchant has a B.Sc. in Biochemistry from the University of New Brunswick and a M.A.Sc. in Mining and Mineral Process Engineering from the University of British Columbia. Mr. Marchant's extensive industry experience and operations expertise make him a valued member of the Company's Audit Committee and also the chair of the Technical and Corporate Responsibility Committee.

Wade Nesmith – Director and Chairman of the Board

Mr. Nesmith is the founder of the Company, Chairman of the Board, and a director of Primero. He acted as President from October 29, 2008 to September 28, 2009, and Chief Executive Officer from October 29, 2008 to June 1, 2010, at which time he was appointed Executive Chairman of the Board. On March 15, 2012, Mr. Nesmith resigned as Executive Chairman of the Board and was appointed Chairman of the Board. He was the President, Chief Executive Officer, Chief Financial Officer and a director of 0777551 B.C. Ltd., a private company that was a predecessor to the Company, from December 2006 to December 2009. Mr. Nesmith obtained his Bachelor of Law degree from York University – Osgoode Hall, Ontario in 1977. He is the former Superintendent of Brokers for the Province of British Columbia from 1989 until 1992. He was a senior partner, specializing in securities law, with Lang Michener LLP (now McMillan LLP) from 1993 until 1998, and an Associate Counsel at Lang Michener LLP (now McMillan LLP) from January 2004 to December 2007. He was an executive with Westport Innovations Inc. ("Westport Innovations") from 1998 until 2003, helping to lead their public markets activities and retiring as President, Westport Europe. He was a founding director of Silver Wheaton Corp. (TSX, NYSE), serving from 2004 to 2016.

Robert A. Quartermain – Director

Dr. Robert Quartermain, D.Sc., has been a director of the Company since June 28, 2010 and has worked in the resource industry since 1976. He is Executive Chairman and a director of Pretium Resources Inc. since October 2010. He served as President and Chief Executive Officer of Silver Standard Resources Inc. from January 1985 until January 2010 and worked for Teck Corp. from 1981 to 1984. Dr. Quartermain has a Bachelor of Science degree in geology from the University of New Brunswick, and a Master of Science degree in mineral exploration from Queen's University. He was awarded an honorary Doctor of Science degree from the University of New Brunswick in May 2009.

Michael Riley – Director

Mr. Riley has been a director since April 2010. He retired as a senior auditor partner from Ernst & Young LLP in September 2006 after more than 25 years with the firm. He became a partner in the firm's Montreal office in 1985, where he worked with clients in the retail, pharmaceutical, manufacturing and resource industries. He relocated to the firm's Vancouver office in 1995, where his responsibilities included serving as the lead audit engagement partner for the office's largest Canadian and US listed public company clients in mining, transportation and banking. During that time, he also lead the office's M&A due diligence practice for 2 years. Prior to Ernst & Young, Mr. Riley's professional background also included working for Bell Canada (now BCE), and his early years as an articling student and Chartered Accountant with Peat, Marwick, Mitchell & Co (now KPMG LLP). He has previously been a director for several organizations, including the British Columbia Lottery Corporation, CanAlaska Uranium Ltd., Seacliff Construction Corp., the Vancouver Symphony Society, The Heart & Stroke Foundation of British Columbia & Yukon and the BCAA Road Safety Foundation. Mr. Riley graduated with a Bachelor of Commerce Degree from Concordia University in 1975 majoring in operations research and quantitative methods. He also holds a graduate diploma in public accounting from McGill University attained in 1977 and continues to hold the Canadian CPA CA designation as a member of both the BC and Quebec CPA professional bodies. Mr. Riley's accounting background, financial sophistication and auditing expertise are valuable assets to the Company's Audit Committee.

Tamara Brown – Vice President, Corporate Development

Ms. Brown has been Vice President, Investor Relations of the Company since June 1, 2010. Ms. Brown was later appointed Vice President of Corporate Development of the Company on October 16, 2015. From April 2009 to April 2010, Ms. Brown was Director of Investor Relations for IAMGOLD where she was responsible for all aspects of investor relations including being a member of its disclosure committee. Previously, Ms. Brown was an investor relations consultant for several junior exploration companies, partner of a boutique investment banking firm and a professional engineer in the mining industry. She graduated with a Bachelor of Engineering degree from Curtin University in Australia and has completed the Chartered Business Valuator course at York University.

Kevin Jennings, Chief Financial Officer

Kevin Jennings was appointed Chief Financial Officer in September 2016. Mr. Jennings is an experienced international mining finance executive with an extensive background in financial management and reporting, international corporate transactions, strategy development, restructuring and turnarounds. He successfully led the African Barrick Gold initial public offering as C.F.O. and has held senior financial executive roles with Barrick Gold (Vice President, Corporate Development), Xstrata Nickel (Director, Business Optimization), Falconbridge (Director, Business Development), American Racing Equipment (C.F.O.), Sun Gold (C.F.O.) and most recently Banro Corporation (C.F.O.). Kevin is a Chartered Professional Accountant with a BA in Administrative Studies (Honours Accounting) from York University and a BA in Economics from the University of Western Ontario.

H. Maura Lendon –Chief General Counsel and Corporate Secretary

Ms. Lendon has been Chief General Counsel and Corporate Secretary of the Company since March 29, 2012. From May 2011 until March 2012, Ms. Lendon was President of Aurah Advisory Services Inc., during which time she provided strategic and governance advisory services to diverse businesses. From April 2008 to May 2011 she was Senior Vice President, Corporate Services, Chief Legal Officer and Corporate Secretary of HudBay Minerals Inc. From 2004 to April 2008, she was Chief Counsel, Canada and Chief Privacy Officer Canada of AT&T. Ms. Lendon holds a Master of Laws from Osgoode Hall Law School, a Master of Business Administration from the Richard Ivey School of Business and a Bachelor of Laws from University of Western Ontario. She has been a member of the Ontario Bar since 1990.

James Mallory – Vice President, Corporate Responsibility

Mr. Mallory was appointed Vice President Corporate Responsibility of the Company on March 1, 2014. From April 2011 to July 2013, Mr. Mallory was Vice-President, Operations & Social Responsibility at South American Silver, during which time he was responsible for social responsibility programs in Bolivia and Chile. From May 2009 to March 2011 he was Vice President Sustainability for Silver Standard Resources overseeing environmental and community relations initiatives for projects in Mexico, Argentina and Peru. Previously from June 2006 to January 2009 Mr. Mallory was General Manager with Nova Gold Resources responsible for relations with the BC First Nations (2006-2007) and later as General Manager of Operations in Nome, Alaska. Mr. Mallory started his career with Placer Dome and has more than 35 years of mining industry experience including 13 years of international service in Chile.

Damian Marantelli – Chief Operating Officer

Damien Marantelli was appointed Chief Operating Officer in October 2016. Mr. Marantelli, an experienced mining engineer, brings over 35 years of international experience in the mining industry where he has successfully managed development, construction and operations across a variety of commodities. Previously, Mr. Marantelli held the roles of General Manager of the Sentinel copper mine in development by First Quantum Minerals, Managing Director of First Quantum's (previously Inmet's) Las Cruces copper mine, and the Managing Director of the Çayeli underground copper and zinc mine. Prior to his experiences with First Quantum/Inmet, Mr. Marantelli was the General Manager of BHP Billiton's (previously WMC Resources) Mount Keith operations and General Manager with Leinster Underground. Mr. Marantelli received a Diploma of Engineering (Mining) from the Royal Melbourne Institute of Technology, and a Diploma of Business (Frontline Management) from Excel Consulting Australia. He is a long standing member of the Australian Institute of Mining & Metallurgical Engineers.

Louis Toner – Vice President, Project Development and Construction

Mr. Toner was appointed Vice President, Project Development and Construction of the Company on July 29, 2013. He brings over 30 years of engineering and construction management experience ranging from small and medium sized brownfield projects to large-scale greenfield projects. Previously, Mr. Toner worked with BBA Inc., Lafarge Canada Inc., and SNC-Lavalin International Inc. Mr. Toner holds a B.Eng. Civil Engineering from McGill University and is fluent in French, English and Spanish. He is a member of the Ordre des ingénieurs du Québec (OIQ) and the Association of Professional Engineers and Geoscientists of New Brunswick.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

No director or executive officer of Primero is, as at the date of this AIF, or has been, within the last ten years before the date of this AIF, a director, chief executive officer, or chief financial officer of any company (including Primero) that was:

(a) subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purpose of the above paragraph, "order" means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) 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 days.

Bankruptcy

No director or executive officer of Primero, or a shareholder holding a sufficient number of securities of Primero to affect materially the control of Primero is, as at the date of this AIF, or has been, within ten years before the date of this AIF, a director or executive officer of any company (including Primero) that:

(a) while that person was acting in that capacity, or within a year of 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 proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) became 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.

Sanctions

No director or executive officer of Primero, or a shareholder holding a sufficient number of securities of Primero to affect materially the control of Primero has been subject to:

(a) 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

(b) any other 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.

Conflicts of Interest

Several directors of Primero also serve as directors of one or more other resource companies involved in mineral exploration and/or development. It may occur from time to time that as a consequence of his activity in the mineral industry and serving on such other boards that a director may become aware of potential resource property opportunities which are of interest to more than one of the companies on whose boards that person serves. Accordingly, situations may arise in the ordinary course that involve a director in an actual or potential conflict of interest as well as issues in connection with the general obligation of a director to make corporate opportunities available to the company on which the director serves. In all such events, any director who might have a disclosable financial interest in a contract or transaction by virtue of office, employment or security holdings or other such interest in another company or in a property interest under consideration by the Primero Board, would be obliged to abstain from voting as a Primero director in respect of any transaction involving that other company(s) or in respect of any property in which an interest is held by him. The directors will use their best business judgment to help avoid situations where conflicts or corporate opportunity issues might arise and they must at all times fulfill their duties to act honestly and in the best interests of Primero. At this time the Board is not aware of any existing or potential material conflict of interest between the Company or a subsidiary of the Company and any director. See "Risk Factors – Conflicts of Interest".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Ejidos

An Ejido is a communal ownership of land recognized by the federal laws in Mexico. While mineral rights are administered by the federal government through federally issued mining concessions, access to surface rights is also required for mining operations. An Ejido controls surface rights over its communal property through a board of directors. An Ejido may sell or lease lands directly to a private entity and it may also allow individual members of the Ejido to obtain title to specific parcels of land and thus the right to sell or lease the land.

The San Dimas Mine uses Ejidos' lands pursuant to written agreements with Ejidos. Some of these agreements may be subject to renegotiation and changes to the existing agreements may increase operating costs or have an impact on operations. In cases where access to land is required for operations and an agreement cannot be reached with the land owner, Primero may seek access under Mexican law which provides for priority rights for mining activities.

Three of the properties included in the San Dimas Mine and for which Primero holds legal title are subject to legal proceedings commenced by Ejidos seeking title to the property. None of the proceedings name Primero as a party and Primero therefore has no standing to participate in them. In all cases, the defendants are previous owners of the properties, either deceased individuals who, according to certain public deeds, owned the properties more than 80 years ago, corporate entities that are no longer in existence, or Goldcorp companies. The proceedings also name the Tayoltita Property Public Registry as co-defendant.

Two of the legal proceedings were decided in favour of the Ejidos in 2015, resulting in Primero's gaining standing rights as an affected third party. Upon becoming aware of the decisions, the Company obtained injunctions to suspend any legal effect of the decisions while the Company proceeds with a legal process to nullify the Ejido's claim by submitting evidence of Primero's legal title. In February 2017, one of the two legal processes to nullify the Ejidos' claim was decided in favour of Primero and was later appealed by the Ejido, and the decision on the appeal is still pending. The second proceeding is ongoing. The third outstanding legal proceeding commenced by the Ejidos has not been decided and the Company remains without standing to participate therein because it was not named as a party. In the event a final decision is rendered in favour of the Ejido in that proceeding, Primero will seek to annul such decision by defending its position as the legitimate owner. If Primero is not successful in these challenges, the San Dimas Mine could face higher costs associated with agreed or mandated payments that would be payable to the Ejidos for use of the properties.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares in Canada is Computershare Investor Services Inc. at its principal office in Toronto, Ontario. The transfer agent and registrar for the Common Shares in the United States is Computershare Trust Company, Inc. at its principal office in Canton, Massachusetts.

MATERIAL CONTRACTS

The material contracts entered into by the Company within the financial year ended December 31, 2016 or before such time that are still in effect, other than in the ordinary course of business, are the following:

(a) Credit Agreement, dated May 23, 2014, between the Company and a syndicate of lenders led by Bank of Montreal as Administrative Agent, (as amended pursuant to a first amending agreement dated December 22, 2014, a second amending agreement dated February 5, 2015, a third amending agreement dated December 31, 2015, and a fourth amending agreement dated December 28, 2016;

(b) Trust Indenture, dated February 9, 2015, between the Company and Computershare Trust Company of Canada;

(c) Purchase agreement between Brigus and Sandstorm (the "Sandstorm Agreement"), dated November 9, 2010, for the sale of a percentage of the gold produced from the Black Fox mine. The term of the agreement is 80 years, renewable for subsequent 10 year terms unless terminated by Sandstorm. See "Mining Activities – Black Fox Complex – Sandstorm Goldstream Agreement";

(d) Second amended and restated silver purchase agreement among Silver Trading, SW Caymans, the Company and Silver Wheaton, originally dated as of October 15, 2004, restated as of March 30, 2006, amended and restated as of August 6, 2010. See "Mining Activities – San Dimas Mine – Amended and Restated Silver Purchase Agreement"; and

(e) Deed of indemnity among Silver Trading, the Company and Goldcorp, made as of August 6, 2010. See "Mining Activities – San Dimas Mine – Amended and Restated Silver Purchase Agreement"

INTERESTS OF EXPERTS

The following is a list of the persons or companies named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 - *Continuous Disclosure Obligations* by Primero during, or relating to, Primero's most recently completed financial year, and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company:

J. Morton Shannon, P. Geo. and Rodney Webster, M.AIG, of AMC Consultants Pty Ltd. and Gabriel Voicu, P.Geo., former Vice President, Geology and Exploration of Primero authored the San Dimas Technical Report, and each a "Qualified Person" for the purposes of NI 43-101.

Dave Laudrum, P. Geo., Senior Resource Manager of Primero and a "Qualified Person" for purposes of NI 43-101, reviewed and approved:

- the scientific and technical information after April 18, 2014 for San Dimas Mine;
- the Mineral Resource Estimates for San Dimas Mine;

- the scientific and technical information after June 30, 2014 for the Black Fox Complex.
- the Mineral Resource estimates for Black Fox Mine; and
- the scientific and technical information after May 11, 2012 for the Cerro Del Gallo Project.

Harold Brisson, PhD, Eng. (OIQ), former Resource Manager of Primero, who authored the Black Fox Complex Technical Report, and a "Qualified Person" for the purposes of NI 43-101.

Patrick McCann, P.Eng., Principal Engineer of Primero and a "Qualified Person" for the purposes of NI 43-101, reviewed and approved:

- the Mineral Reserve estimates for San Dimas Mine; and
- the Mineral Reserve estimates for Black Fox Mine

Rodney Webster, M.AIG, of AMC Consultants Pty Ltd., has acted as a "Qualified Person" for the Mineral Resource estimate for Grey Fox.

Timothy Carew, P. Geo formerly of Reserva International LLC, Thomas Dyer, P.E. of Mine Development Associates, Peter Hayward, F.AusIMM of Sedgman Ltd., and John Skeet, F.AudIMM, who authored the CDG Technical Report, and each a "Qualified Person" for the purposes of NI 43-101.

Gabriel Voicu, P.Geo, former Vice President, Geology and Exploration of Primero reviewed the CDG Technical Report on behalf of Primero.

To the Company's knowledge, each of the aforementioned firms or persons held less than 1% of the outstanding securities of the Company or of any associate or affiliate of the Company when they prepared the reports referred to above or following the preparation of such reports. None of the aforementioned firms or persons received any direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of such reports.

Based on information provided by the relevant persons, none of the aforementioned firms or persons, nor any directors, officers or employees of such firms, is currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company except for Patrick McCann, Principal Engineer and Dave Landrum, Senior Resource Manager of the Company.

KPMG LLP are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that they are independent accountants with respect to the Company under all relevant US professional and regulatory standards.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com and on the United States Securities and Exchange Commission's website at www.sec.gov.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans is contained in the Information Circular for Primero's Shareholders Meeting, which is available on SEDAR at www.sedar.com .

Additional financial information is also provided in Primero's audited consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2015, which may also be found on SEDAR at www.sedar.com and on the United States Securities and Exchange Commission's website at www.sec.gov.

AUDIT COMMITTEE

Audit Committee Charter

The Audit Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; and compliance with policies and laws.

The Audit Committee's charter sets out its mandate and responsibilities, and can be found in the Company's management information circular or on the Company's website www.primeromining.com .

Composition of Audit Committee

The Audit Committee is currently comprised of three directors, Michael Riley, Grant Edey and Brad Marchant, all of whom are both independent and financially literate according to the Board's independence standards as set out in the Company's Board Guidelines and applicable Canadian and US securities laws and regulations. Michael Riley, the Chair of the Audit Committee, is also an "audit committee financial expert" under the U.S. Securities and Exchange Act regulations.

Relevant Education and Experience

For a description of the education and experience of each audit committee member that is relevant to the performance of his responsibilities as an audit committee member, see "Directors and Officers – Principal Occupations and Other Information about Primero's Directors and Executive Officers". Such education and experience provides each member with:

- an understanding of the accounting principles used by the Company to prepare its financial statements;
- the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, and
- an understanding of internal controls and procedures for financial reporting.

Pre-Approval Policies and Procedures

The Audit Committee's charter sets out responsibilities regarding the provision of non-audit services by the Company's external auditor. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of permitted audit and audit-related services.

External Auditor Service Fees

For the financial years ended December 31, 2016 and 2015, the Company paid the external auditor, CDN$839,575 and CDN$874,634, respectively, as detailed below:

	Year Ended December 31	
Nature of Services	**2016 (1)**	**2015 (1)**
Audit Fees (2)	$ 761,142	722,625
Audit-Related Fees (3)	0	0
Tax Fees (4)	78,433	152,009
All Other Fees (5)	0	0
Total	**$ 839,575**	**$ 874,634**

Notes:

(1) All amounts in Canadian dollars.

(2) Audit fees represent the aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the review and audit of the Company's interim and annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

(3) Audit-related fees represent the aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees" above .

(4) Tax fees represent the aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning.

(5) Other fees would include transaction related services.

SCHEDULE "A"
TECHNICAL DEFINITIONS

The estimated Mineral Reserves and Mineral Resources for the Company's properties have been prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") — Definitions (the "CIM Standards") adopted by the Canadian Securities Administrators in National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101"). The following definitions are reproduced from the CIM Standards: The term " **Preliminary Feasibility Study** " means a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve.

The term " **Mineral Resource** *"* means a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

The term " **Inferred Mineral Resource** *"* means that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

The term " **Indicated Mineral Resource** *"* means that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

The term *"* **Measured Mineral Resource** *"* means that part of a Mineral Resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

The term *"* **Mineral Reserve** *"* means the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

The term " **Probable Mineral Reserve** " means the economically mineable part of an Indicated Mineral Resource and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

The term " **Proven Mineral Reserve** " means the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

SCHEDULE "B"
MATERIAL MINERAL PROJECTS

SAN DIMAS

Property Description and Location

The San Dimas Mine is located on the borders of the Durango and Sinaloa states, approximately 125 km north-east of Mazatlán, Sinaloa and 150 kilometres ("km") west of the city of Durango, Durango, in Mexico. The property is centered on latitude 24°06'N and longitude 105°56'W.

The San Dimas property consists of 93 contiguous concessions covering approximately 28,423 hectares, having expiry dates ranging from 2019 to 2055. As per Mexican requirements for grant of tenure, the concessions comprising the San Dimas Mine have been surveyed on the ground by a licensed surveyor. All appropriate payments have been made to the relevant authorities and the licenses are in good standing. Primero has secured surface rights by either acquisition of private and public land or by entering into temporary occupation agreements with surrounding communities.

In 2013, the Mexican federal government introduced a mining royalty, effective January 1, 2014, based on 7.5% of taxable earnings before interest and depreciation. In addition, precious metals mining companies must pay a 0.5% royalty on revenues from gold, silver and platinum.

Primero holds the appropriate permits under local, State and Federal laws to allow mining operations at the San Dimas Mine. The main environmental permit is the Licencia Ambiental Única under which the mine operates its "industrial facilities". The mine and mill expansion of the San Dimas Mine is also covered by this permit. Other significant permits are those related to water supply and water discharge rights. A waste pad project was commenced in 2013 for which both the environmental impact study and the technical justification were approved by the Secretaría de Medio Ambiente y Recursos Naturales and the Mexican environmental protection agency. In addition, permits were received from the Comisión Nacional de Agua regarding the Piaxtla River diversion that is part of this waste pad project. As of March 2014 the river's course has been diverted through the new canal and the aquatic life recovery had been achieved. The new waste pad construction was completed in May 2014.

Access, Climate, Local Resources, Infrastructure and Physiography

Access

Access to the San Dimas area is by air or road from the city of Durango. By road the trip requires approximately 10 hours. Primero maintains a de Havilland Twin Otter aircraft and a helicopter, both of which are based at Tayoltita. Travel from either Mazatlán or Durango to Tayoltita requires an approximate half hour flight in the Twin Otter aircraft. Most of the personnel and light supplies for the San Dimas Mine arrive on Primero's regular flights from Mazatlán and Durango. Heavy equipment and supplies are brought in by road from Durango.

Climate

The climate of the San Dimas area is semi-tropical, characterized by relatively high temperatures and humidity, with hot summers (maximum about 35° C) and mild winters. At higher elevations in the Sierra, frosty nights occur in the winter (November to March). The majority of the precipitation occurs in the summer (June through September); however, tropical rainstorms during October to January can result in considerable additional rainfall. The total average annual rainfall varies from about 66 to 108 cm. Weather does not affect the operations and mining is carried out throughout the year.

Local Resources and Infrastructure

Mining at the San Dimas Mine is done by a mixture of contract mining and Primero personnel. Tayoltita is the most important population centre in the region with approximately 8,000 inhabitants, including mining personnel, and the population outside of this centre is sparse. Subsistence farming, ranching, mining and timber cutting are the predominant activities of the region's population.

Water for the mining operations is obtained from wells and from the Piaxtla River. Water is also supplied by Primero to the town of Tayoltita from an underground thermal spring at the Santa Rita mine.

Electrical power is provided by a combination of Primero's own hydro generation system – Las Truchas – and the Mexican "Federal Electricity Commission" ("CFE"). Primero operates hydroelectric and back-up diesel generators, which are interconnected with the MFPA. Since the completion of the Las Truchas phase 2A expansion in August 2014, the hydroelectric facility provides about 95% of the total requirement of the San Dimas Mine during four months of the year. During the remaining eight months of the year, corresponding to the dry season, the hydroelectric facility provides approximately 50% of the San Dimas power requirements for operations and the rest is supplied by the utility (CFE) and by diesel generators at the mine site. The recent Las Truchas phase 2A expansion has increased the power generation of the Las Truchas facility from 50 GW to 75 GW per year.

The main infrastructure of the San Dimas district consists of roads, a townsite, an airport, the crushing and processing facilities of the Tayoltita mill, the old San Antonio mill, the Tayoltita/Cupias and San Antonio tailings facilities, the Las Truchas hydro generation facilities, a diesel power plant and the San Dimas Mine, which is divided into five blocks: West Block (San Antonio Mine), Sinaloa Graben Block, Central Block, the Tayoltita and Arana Blocks (Santa Rita Mine). The San Antonio mill and tailings facilities are currently under reclamation. Primero holds sufficient surface rights to support the San Dimas mine operations, and associated infrastructure. Environmental permits are required from various federal, provincial, and municipal agencies, and are in place for all current operations. No new permits are currently required for current exploration activity and mining operations, but existing permit amendments are required from time to time.

Physiography and Vegetation

The San Dimas district is located in the central part of the Sierra Madre Occidental, a mountain range characterized by very rugged topography with steep, often vertical walled valleys and narrow canyons. Elevations vary from 2,400 metres above mean sea level ("amsl") on the high peaks to elevations of 400 metres amsl in the valley floor of the Piaxtla River. Vegetation is dominated by pines, junipers and, to a lesser extent, oaks at higher elevations while lower slopes and valleys are covered with thick brush, cacti and grass.

History

Prior Ownership

The San Dimas property contains a series of epithermal gold silver veins that have been mined intermittently since 1757. Modern mining began in the 1880s, when the American San Luis Mining Company acquired the Tayoltita mine and American Colonel Daniel Burns took control of the Candelaria mine and began working in the area, and has continued under different owners to the present. By 1940, the San Luis Mining Company had acquired the Candelaria and the Contraestaca mines.

A mining law introduced in 1959 in Mexico required the majority of a Mexican mining company to be held by a Mexican entity and forced the sale of 51% of the shares of the San Luis Mining Company to Mexicans. In 1961, the Minas de San Luis S.A. de C.V. was formed and assumed operations of the mine. In 1978, the remaining 49% interest was obtained by Luismin S.A. de C.V ("Luismin").

In 2002, Wheaton River Minerals Ltd. ("Wheaton River") acquired the property and, in 2005, Wheaton River merged with Goldcorp. Through its wholly-owned subsidiary, Primero Empresa, Primero acquired the San Dimas Mine from subsidiaries of Goldcorp in August 2010. See "General Development of the Business – Three Year History – Acquisition of San Dimas Mine".

Historical Exploration and Development Work

In the San Dimas mining district there are historical records that mention workings since 1757, but it was not until 1890 that there were formal operations by the San Luis Mining Company and Mexican Candelaria Company. In 1904, the first cyanide mill in Mexico was built at Tayoltita. By 1940, the Candelaria mine had been mined out.

In the 1960s, higher grade discoveries led to the first deep drilling campaigns and to the initial long tunnels. In 1975, the first 4.5 kilometre tunnel (deepest in the district) was completed in the Tayoltita mine, this being an area where ore discoveries such as the San Luis vein had taken place following the "Favourable Zone" concept described under "Deposits and Mineralization" below, aided by field geology. In the 1980s, American and Mexican groups commenced operations that led to the first geophysical and geochemical exploration in the east "Tayoltita-Santa Rita" block.

By the late 1980's and early 1990's, the Favourable Zone concept and Ag/Au ratios supported by fluid inclusion and thermal fusion studies led to discovery of the San Antonio and Santa Rita deposits. After acquisition of the whole property by the Mexican group there was a significant reduction in exploration activities throughout the whole mining district.

In 2002, foreign investment (mainly Canadian) returned and the operation was acquired as a whole, which resulted in a substantial increase in drilling "long" drill-holes combined with the development of long tunnels perpendicular to the general trend of veins. Examples of these tunnels include San Luis, Santa Anita and Sinaloa Graben, where significant intersections and new high grade veins, such as the Elia, Aranza, Victoria and Alexa, were discovered.

Geological Setting

Regional Geology

The general geological setting of the San Dimas district includes two major volcanic successions totalling approximately 3,500 metres in thickness, which have been described the Lower Volcanic Group ("LVG") and the Upper Volcanic Group ("UVG") and are separated by an erosional and depositional unconformity.

The LVG is of Eocene age predominantly composed of andesites and rhyolitic flows and tuffs and has been locally divided into six units. The LVG outcrops along the canyons formed by major westward drainage systems and has been intruded by younger members of the batholith complex of granitic to granodioritic composition.

The Socavón rhyolite is the oldest volcanic unit in the district, its lower contact destroyed by the intrusion of the Piaxtla granite.

The overlying Productive Andesite is more than 750 metres in thickness and has been divided into two varieties based on grain size, but of identical mineralogy. One variety is fragmental (varying from a lapilli tuff to coarse agglomerate), and the other has a porphyritic texture (1 to 2 millimetres plagioclase phenocrysts).

Above the Productive Andesite, the overlying Camichin unit, composed of purple to red interbedded rhyolitic and andesite tuffs and flows, is more than 300 metres thick. It is the host rock of most of the productive ore shoots of Patricia, Patricia 2, Santa Rita and other lesser veins in the Santa Rita mine.

The Las Palmas Formation, at the top of the LVG, consists of green conglomerates at the base and red arkoses and shales at the top, with a total thickness of approximately 300 metres. This unit outcrops extensively in the Tayoltita area. The lower contact between the LVG and the underlying Productive Andesite is unconformable.

The predominant plutonic events in the district resulted in intrusion of the LVG by granitic to granodioritic intrusives, part of the Sinaloa composite batholith.

Other intrusives cutting the LVG include the Intrusive Andesite, the Elena aplite and the Santa Rita dacitic dikes. The even younger Bolaños rhyolite dike and the basic dikes intrude both the LVG and UVG. Intrusive activity in the western portion of the Sierra Madre Occidental has been dated continuously from 102 to 43 million years. The UVG overlies the eroded surface of the LVG unconformably.

Local and Property Geology

In the San Dimas district, the UVG is divided into a subordinate lower unit composed mainly of lavas of intermediate composition called Guarisamey Andesite and an upper unit called the Capping Rhyolite. The Capping Rhyolite is mainly composed of rhyolitic ash flows and air-fall tuffs and is up to 1,500 metres thick in the eastern part of the district; however, within most of the district it is about 1,000 metres thick. The San Dimas district lies within an area of complex normal faulting along the western edge of the Sierra Madre Occidental. Compressive forces first formed predominantly east-west and east-northeast tension gashes that were later cut by transgressive north-northwest striking slip faults. The strike-slip movements caused the development of secondary north-northeast faults, with right lateral displacement.

Deposits and Mineralization

Deposits

The deposits of the San Dimas district are high grade, silver-gold-epithermal vein deposits characterized by low sulphidation and adularia-sericitic alteration. They were formed during the final stages of igneous and hydrothermal activity from quartz-monzonitic and andesitic intrusions.

Typical of epithermal systems, the gold and silver mineralization at the San Dimas Mine exhibits a vertical zonation with a distinct top and bottom that the prior owner of the mine termed the “Favourable Zone”. At the time of deposition, this Favourable Zone was deposited in a horizontal position paralleling the erosional surface of the LVG on which the UVG was extruded.

This favourable, or productive, zone at San Dimas Mine is some 300 metres to 600 metres in vertical extent and can be correlated, based both on stratigraphic and geochronologic relationships, from vein system to vein system and from fault block to fault block.

Mineralization

The mineralization is typical of epithermal vein structures with banded and drusy textures. Within the San Dimas district, the veins occupy east-west trending fractures except in the southern part of Tayoltita where they strike mainly northeast and in the Santa Rita mine where they strike north-northwest. The veins were formed in two different systems. The east-west striking veins were the first system developed, followed by a second system of north-northeast striking veins. Veins pinch and swell and commonly exhibit bifurcation, horse-tailing and sigmoidal structures. The veins vary from a fraction of a centimetre in width to 8 metres, but average 1.5 metres. They have been followed underground from a few metres in strike length to more than 1,500 metres.

Three major stages of mineralization have been recognized in the district: (1) early stage; (2) ore forming stage; and (3) late stage quartz. Three distinct sub-stages of the ore forming stage also have been identified, each characterized by distinctive mineral assemblages with ore grade mineralization always occurring in the three sub-stages: (1) quartz-chlorite-adularia; (2) quartz-rhodonite; and (3) quartz-calcite.

The minerals characteristic of the ore forming stage are composed mainly of white, to light grey, medium to coarse grained crystalline quartz with intergrowths of base metal sulphides (sphalerite, chalcopyrite and galena) as well as pyrite, argentite, polybasite, stromeyerite, native silver and electrum.

The ore shoots within the veins have variable strike lengths (5 to 600 metres); however, most average 150 metres in strike length. Down-dip extensions of ore shoots are up to 200 metres but are generally less than the strike length.

Exploration and Drilling

Historically, exploration of the Favourable Zone at San Dimas Mine has been done both by diamond drilling and by underground development work. Diamond drilling is predominantly done from underground stations as both the rugged topography (i.e. access to surface drill stations) and the great drilling distance from the surface locations to the target(s) makes surface drilling both challenging and expensive. All exploration drilling and the exploration underground development work are done both in-house and by use of contractors.

Channel Sampling

While drilling and drifting are now the predominant methods of exploration, underground channel sampling plays a large role in the estimation of current Mineral Resources.

Channel samples are routinely taken every three metres in all development in vein, and stoping is sampled every two rounds (6 metres). Sample limits within the vein are based on texture and mineralogy changes. No sample is more than 1.2 metres in length and the minimum sample width is 0.2 metres. A second cut is taken across the vein as a validation and the results averaged for grade control purposes. A tarpaulin is laid down below the sample line. The samples are taken as a rough channel along the marked line, ensuring that the unit is sampled in a representative fashion, with large slabs being broken and sub-sampled. The total sample which has collected on the tarpaulin is broken with a hammer, mixed and “quartered” such that a 2 kilogram sample is bagged and labelled with sample number and location details. Samples are dispatched to the Primero Tayoltita Mine Laboratory (the “TAY Lab”) and samples received by 1:00 p.m. are reported that day. Sketches of the face sampled are filed, showing samples’ physical locations from surveying and the measured width of each sample. Since January 2012, approximately 1/3 of all channel samples and 100% of drillcore samples were sent to the independent SGS laboratory in Durango. These samples had QA/QC procedures applied and were of a standard that can be reliably used for estimation of Mineral Resources. The vein mapping and channel sampling is continually plotted on plans and both used for grade control and for Mineral Resource estimation. In 2013 all channel samples collected and sent to SGS laboratory in Durango (approximately 1/3) were subjected to QA/QC procedures.

In the opinion of Gabriel Voicu, the sampling methods are acceptable, meet industry-standard practice, and are acceptable for Mineral Resource and Mineral Reserve estimation and mine planning purposes.

BLACK FOX COMPLEX

Property Description and Location

The Black Fox Complex is located in the Timmins Mining District in the Province of Ontario. The Black Fox Complex is situated 11 kilometres ("km") east of Matheson, Ontario and the Black Fox Mill is 20 km west of Matheson, Ontario. The Black Fox open pit mine and the Black Fox Mill have been in operation since May 2009 and commercial production from the underground mine commenced in October 2011.

The Black Fox mine and the two adjacent exploration properties, Grey Fox and Pike River, comprise the Black Fox Complex. The Black Fox Complex has a contiguous land package of 1,750.27 ha extending over a 6.5 km strike of the Destor-Porcupine Fault Zone. The Black Fox Mill property, which hosts the historic Stock Mine deposit, covers 24.7 square km and is located 31 km west of the Black Fox mine. The mill property extends over 6.0 km of the Destor-Porcupine Fault Zone.

Access, Climate, Local Resources, Infrastructure and Physiography

Access

Access to the Black Fox Complex is via Highway 101 East. The Black Fox mine and its facilities and the Grey Fox exploration project are located on the south side of Highway 101 East 11 km east of Matheson and the Black Fox Mill is located on the North side of Highway 101 20 km west of Matheson.

Climate

The minimum and maximum mean annual temperatures in the region are -4.8°C and +7°C. July and January average temperatures are 17.3°C and -17.3°C, respectively. The mean annual rainfall for the region is 857 mm (www.worldclimate.com). Rapid melting of accumulated snowfall can produce local flooding on the property for short periods during the spring months. Average monthly wind speeds for the region are 11 to 15 km/h (Dyck, 2007). It is possible to conduct exploration activities year round.

Local Resources and Infrastructure

Much of the old mine infrastructure was upgraded in 2010 to facilitate mine development. New infrastructure to support open pit and underground mine operations include a truck shop, laboratory, administration building, the firewater/ freshwater pump house, and ancillary buildings.

The Black Fox Mill is fed from an existing 27 kilovolt (kV) power line to the mill site. Power is distributed at the plant site from this 27 kV power line, a 5 mega volt ampere (MVA), 4,160 volt (V), 3 phase, 60 hertz (Hz) distribution transformer.

The Black Fox mine is being supplied with fresh water from a well. Water from dewatering of the mine site is channelled to the mine's holding pond for recycling and /or discharge through the Black Fox water treatment facility. Excess water is treated during the spring and summer months for discharge to the environment through the water treatment system.

Supplies and services are available in Matheson or Timmins and can be delivered with a 12-hour turnaround. Primero holds sufficient rights to support the Black Fox Complex operations, and associated infrastructure. Environmental permits are required by various federal, provincial, and municipal agencies, and are in place for all current operations. No new permits are currently required for current exploration activity and mining operations, but existing permits amendments are required from time to time.

Physiography and Vegetation

The property is located in a Boreal Shield ecosystem. The topography is moderate and averages about 280 metre amsl. Secondary-growth forest covers about 75% of the property and rock outcrops are sparse, comprising only 5% of the property physiography. The thick clay-rich overburden found across the property is typically 20 to 30 metres thick.

History

The property was first explored by Dominion Gulf in 1952 and then by Hollinger in 1962. In 1988, Glimmer Mine Inc. put together the property package using a combination of crown and private lands. In 1989, Noranda Exploration Company Ltd. (Noranda) entered into a joint venture agreement with Glimmer. As a result of this agreement, Noranda held a 60% interest in the property. During their ownership, Noranda merged with Hemlo Gold Mines Inc. (Hemlo). Exall purchased the property from Hemlo in April 1996, obtaining approximately 60% interest in the property with Glimmer retaining 40%. Apollo Gold acquired a 100% ownership in the fall of 2002 and renamed the property "Black Fox" (Prenn, 2006). In June 2010 Apollo and Linear Gold Corporation (Linear) merged to form Brigus.

Historical Exploration and Development Work

Beyond the known Mineral Reserves and Mineral Resources, upside potential exists for resource additions from ongoing exploration drilling at the Black Fox Complex and Black Fox Mill property. The Black Fox Complex ore bodies remain open at depth and along strike.

Apollo Gold began exploration of the Black Fox mine site in 2003. From 2003 to 2013, Apollo and Brigus conducted several drilling programs, during which 504 surface core drill holes totalling 149,548 metres and 396 underground holes totalling 78,644 metres were completed.

In 2008 and 2009, Apollo drilled 69 holes for a total of 13,651 metres on the Grey Fox and Pike River properties, which are adjacent to the Black Fox mine site. The 2008 drilling program of 16 core holes was successful in intersecting gold mineralization in rocks similar to the host rocks of the Black Fox ore on the Destor-Porcupine Fault Zone. Apollo called this north-south mineral structure the Contact Zone. The 2008 drilling program also hit very high grade gold mineralization in a silicified breccia within the Contact Zone.

The 2009 drilling program completed 53 holes at the Contact Zone and the Grey Fox and Pike River properties. Drilling results continued to show gold mineralization continuity in multiple shallow, mineralized zones.

In 2010, an IP ground-based geophysical program was completed over the Black Fox Complex with a total of 38.9 line-kilometres, including the Grey Fox property. The survey, which is designed to detect conductive mineralization, disseminated mineralization, alteration, structure and geology, generated 12 high-priority drill targets and 14 secondary targets. The 2010 drilling program of Brigus (formed by Apollo and Linear Gold merger) followed-up on historical data and also tested new gold occurrences on the project. Three drill rigs were used to explore the Contact Zone and the Gibson, Grey Fox South, Hislop North and 147 Zone targets. Drilling was performed by Norex Drilling and the core was of NQ diameter. The 2010 exploration drilling program completed 69 drill holes (26,805 metres) at the Grey Fox and Pike River properties that included 34 drill holes (12,703 metres) on the Contact Zone, 14 drill holes (5,123 metres) on the Gibson deposit/shear, 3 drill holes (1,503 metres) on the Grey Fox South Zone, 11 drill holes (4,336 metres) on the Hislop North target, and 7 drill holes (3,139 metres) on the future 147 Zone. Drilling results continued to show gold mineralization continuity in multiple mineralized zones on the Contact Zone. In September 2010, Scott Hogg & Associates Ltd. was commissioned by Brigus to perform a helicopter-borne aeromagnetic gradient survey over the Black Fox mine block, which included the project area and the Black Fox Mill block. The survey was performed using a Wisk Air Bell 206 LR helicopter and a total of 1,074 line-kilometres of data was collected. Of this, 490 kilometres were from the Black Fox mine block, and 584 kilometres were from the Black Fox Mill block. Final geophysical survey reports were delivered in December 2010.

In January 2011, Brigus discovered the 147 gold zone located approximately 400 metres to the south of the Contact Zone on the Grey Fox property. During Brigus' 2011 drill program, two drill rigs were used for infill drilling and testing along strike and down-dip on the Contact Zone. Two or three other drill rigs were used to expand the 147 Zone, and one drill rig was used to test other known gold-bearing structures and targets that were identified from the induced polarization and magnetic geophysical survey. Drilling was conducted by Norex Drilling and Laframboise Drilling Inc. All core samples were of NQ diameter. The 2011 exploration drilling program completed 247 drill holes (92,273 metres) at the Grey Fox and Pike River properties that included 79 drill holes (27,881 metres) on the Contact Zone, 28 drill holes (8,798 metres) on the Gibson deposit/shear, 2 drill holes (883 metres) on the Grey Fox South Zone and 138 drill holes (54,710 metres) on the 147 Zone. Drilling results continued to show gold mineralization continuity in multiple shallow, mineralized zones on the Contact Zone and the newly discovered 147 Zone.

The 2012 exploration drilling program completed 261 drill holes (76,566 metres) at the Grey Fox and Pike River properties that included 64 drill holes (20,285 metres) on the Contact Zone, 140 drill holes (33,902 metres) on the 147 Zone, 1 drill hole (260 metres) on the new Whiskey Jack Zone and 56 drill holes (22,119 metres) on the newly discovered Grey Fox South. The bulk of the Contact and 147 Zone drilling program was focused on converting the inferred resources to the indicated category. Drilling results continued to show gold mineralization continuity in multiple mineralized zones on the Contact, 147 and Grey Fox South zones.

Apart from the Black Fox mine deposit mineralization, the majority of known gold mineralization defined to date at the Black Fox Complex occurs within the Contact Zone and 147 Zone on the Grey Fox-Pike River properties. Previous drilling by Apollo and Brigus on the Contact Zone and 147 Zone highlighted the potential for significant gold resources with the possibility of underground mining. Following drilling completed in 2012, the Contact Zone has been extended for at least 1,200 m, however the core zone of gold mineralization of interest is approximately 450 metres in strike length and remains open to the north and at depth. Most of the 2009 to 2012 drilling was relatively shallow, concentrated within 200m of bedrock.

The 2013 Brigus Gold drilling program focused on expanding and infill-drilling the 147, Contact and Grey Fox South zones. A total of 139 drill holes for 62,918 metres were drilled on the Grey Fox deposit area in 2013.

No hole was drilled between January 1 and March 5, 2014. From March 5 to December 31, 2014, Primero drilled, logged and sampled 90,084 metres on Grey Fox, Pike River and Stock Projects.

Geological Setting

The Black Fox Complex lies within the Abitibi Subprovince (Abitibi Greenstone Belt) of the Archean Superior craton, in eastern Canada along the northern margin of the Destor-Porcupine Deformation Zone. The Destor-Porcupine Zone is the known host structure of the Black Fox Complex and many other occurrences of gold and gold mines in the Timmins Mining District. The system regionally strikes east-west and dips variably to the south. Black Fox lies on the southern limb of a large scale fold on a flexure in the Destor-Porcupine Fault where the strike changes from east-west to southeast. Folded and altered ultramafic and mafic are the host rocks for mineralization. Gold occurs as free gold in quartz veining and stockworks in altered ultramafics and in gold associated with pyrite in altered tholeiitic basalts. The Timmins Mining District was first discovered in the early 1900s and has been a prolific producer of gold and other metals.

Deposits and Mineralization

Deposits

The Black Fox Complex is located with other gold deposits near the Destor-Porcupine Deformation Zone. The auriferous zones seem to be associated with an orogenic gold occurrence related to longitudinal shear zones (greenstone-hosted quartz-carbonate vein deposit). They correspond to structurally controlled, complex epigenetic deposits hosted in deformed metamorphosed terranes. Black Fox is being mined as an open pit and underground mining operation. Black Fox commenced mining from the open pit in May 2009 and achieved commercial production from the underground operations in October 2011.

Although the gold zones of Grey Fox are readily integrated in an orogenic model, they could also be associated with a low sulphidation epithermal gold model. Extensional, pull-apart basins formed between regional strike-slip faults, or at transitions between these faults, provide favourable sites for intrusions and epithermal deposits.

Mineralization

Gold mineralization at the Black Fox mine occurs in several different geological environments within the main ankerite alteration zone, which has a strike length of over 1000 metres and a variable true width ranging from 20 metres to over 100 metres. This mineralized envelope occurs primarily within komatiitic ultramafics and lesser mafic volcanics within the outer boundaries of the PDDZ. The auriferous zones have several modes of occurrence, from concordant zones that follow lithological contacts and have been subsequently deformed, to slightly discordant zones associated with syenitic sills and quartz veins or stockworks.

Work carried out to date has identified four different styles of mineralization within the mineralized envelope at the Black Fox mine. These are:

- Free gold associated with shallow dipping (20-50°) quartz veins and stockworks in green carbonate and ankerite altered ultramafic rocks (U0, BO, B2, and Al structures);
- Gold-bearing pyrite associated with syenitic sill-like bodies (JO, RO/Ri structures);
- Gold associated with fine-grained pyrite within bleached ankerite-sericite altered mafic volcanic rocks (CO structure);
- Free gold in steeply dipping sigmoidal quartz veins associated with shear zones within green carbonate alteration zones (SO/S1 structures) (Hoxha and James, 1998).

More than 15 separate mineralized structures have been identified to date within the ankerite envelope. The two main auriferous zones are the Al at the hanging wall contact and the CO located at the footwall contact. The many other smaller zones between them generally have less continuity and width and represent parallel mineralized shears and faults. From previous underground work, it appears that the subhorizontal zones along the structure often have the greatest thickness, on the order of 10 to 15 metres (33-49 ft), and the highest grades. This subhorizontal zones are interpreted as dilation zones formed during episodes of folding and structural movements. The majority of other mineralized zones and quartz veins range in width from 1 to 5 metres (3-16 ft).

More than three generations of quartz veining have been identified in the Black Fox mine workings. Shear/fault zones paralleling the main mineralized envelope are responsible for the localized formation of these quartz vein and stockwork zones. The presence of sigmoidal vein structures, multiple quartz injections and re-sheared vein material with chloritic slips indicate complex and repeated structural movements at the time of formation. Visible gold commonly occurs as fracture-fillings within the veined zones associated with chloritic slips. Gold mineralization is erratic in places within the quartz stockwork zones, probably due to the fact that only certain vein sets carry gold while others are barren.

Mineralized zones at the Grey Fox deposit occur along and adjacent to the eastern end of the Timiskaming lens, which in the area of the mineralized zones trends northerly and dips steeply to the east. Drilling suggests that east of the mafic-sedimentary contact, the stratigraphy in the mafic volcanic sequence also trends north and dips steeply east. The sequence comprises alternating massive, pillowed and variolitic mafic units, and local thin volcano sedimentary horizons. Drill core observations show that the sequence is generally weakly foliated, despite proximity to the intense ductile strands of the PDDZ fault system to the north, although some lithologies including sedimentary horizons and contacts may have localized displacement, as suggested by cataclastic breccias and narrow semi-brittle shear zones associated with mineralization.

Sample Preparation, Analyses and QA/QC

Black Fox Mine

The drill core was boxed, covered and sealed at the drill rigs, and transported by drilling employees to the logging facility where Brigus Gold personnel would take over the core handling. The core was logged and sampled by or under the supervision of Brigus Gold geologists at the core shack of the Black Fox mine. Each sample was tagged.

Drill core samples were bagged by technicians and then grouped in batches. The sample batches were shipped to one of the five following laboratories in Ontario during the period of reference: Black Fox Mill Laboratory located between Matheson and Timmins; Cattarello Assayers (“Cattarello”) in Timmins; Accurassay Laboratories (“Accurassay”) in Thunder Bay; ALS Laboratory (“ALS”) in Thunder Bay; and PolyMet Labs (“PolyMet”) in Cobalt. They were prepared according to each laboratory’s sample preparation protocol for the given analytical procedure. The decision of where to send a batch was based on several reasons, including pickup schedules and turnaround time.

The sampling and assay QA/QC protocol consisted of an in-field component managed by Brigus Gold logging and sampling personnel and an in-laboratory component managed by the laboratories. The in-field QA/QC consisted of inserting blanks and certified reference standards. Reject and pulp duplicates (“prep duplicates”) were also inserted by Brigus Gold staff, but no field duplicates were prepared before September 2013. Core samples were placed in sealed bags and sent for analysis.

Grey Fox Deposit

The drill core was boxed, covered and sealed at the drill rigs, and transported by drilling employees to the logging facility where Brigus Gold personnel would take over the core handling. The core was logged and sampled by or under the supervision of Brigus Gold geologists at the Grey Fox core shack. Each sample was tagged with a unique number.

Drill core samples were cut by technicians and then bagged and sealed before being grouped in batches. The sample batches were shipped to PolyMet Labs (“PolyMet”) in Cobalt, SGS Canada Laboratory (“SGS”) in Cochrane, or AGAT Laboratory (“AGAT”) in Mississauga where they were prepared according to each laboratory’s sample preparation protocol for the given analytical procedure. The decision of where to send a batch was based on pickup schedules and turnaround time.

The sampling and assay QA/QC protocol consisted of an in-field component managed by Brigus Gold logging and sampling personnel and an in-laboratory component managed by Polymet, SGS and AGAT. The in-field QA/QC consisted of inserting blanks, certified reference standards, and field duplicates consisting of the second half of core samples.

CERRO DEL GALLO PROJECT

Property Description and Location

The Cerro del Gallo Project (San Antón Property) is located in the state of Guanajuato in central Mexico, approximately 270 kilometres northwest of Mexico City. The San Antón Property fully incorporates the San Antón de las Minas mining district, centred 23 kilometres east northeast of Guanajuato city and the historic Guanajuato Mining District where production from 1700 to 2004 is reported to be 1.14 billion ounces of silver and 6.5 million ounces of gold. Although the Guanajuato Mining District has a long history of silver and gold mining and production extending back to 1558, production records at San Antón only date back to the 1860's, however mining is reported from Spanish colonial times. San Antón lies within the central-southern segment of the world-class Mexican Gold-Silver Belt.

The San Antón Property covers an area of 25,269 hectares (approximately 15 kilometres north-south by 16 kilometres east-west) and consists of a total of twelve granted, contiguous mining concessions all owned by San Antón de las Minas S.A. de C.V. ("SAM"). The concessions entirely cover the San Antón de las Minas mining district, including the old mines formerly worked for high grade vein-hosted gold-silver mineralization. The Company holds sufficient exploration rights to support the Cerro Del Gallo Project exploration activities. Environmental permits are required by various federal, state, and municipal agencies, and are in place for current exploration activities. For future exploration activities, existing permit amendments may be required from time to time.

The San Antón Property is wholly owned by SAM, a resident Mexican company wholly-owned by the Company, after it completed its acquisition of the remaining 30.8% interest from a subsidiary of Goldcorp, effective December 19, 2013.

Access, Climate, Local Resources, Infrastructure and Physiography

Access

The principal access route to the area is by sealed Federal Highway 110, then 14 km on a well maintained all-weather good quality gravel road. The journey by road takes approximately 20 minutes to complete from Dolores Hidalgo and approximately 1 hour and 15 minutes from Guanajuato. There is an international airport at Leon, 30 minutes from Guanajuato along a four lane toll freeway. An inland port facility has integrated the international airport with an industrial park, inland customs, railway facilities etc. and is being promoted by the state government. In addition to the international airport at Leon there are five local airports and one interstate airport within a 3 hour drive of the property area. Rail services are available within 20 km of Cerro del Gallo.

Climate

The municipality of Dolores Hidalgo is classified as semi-arid. The climate is generally dry with sporadic, often violent rainstorms in the hot, summer months. Average annual precipitation is 564 mm mainly from May to September. The winter months are cool and dry. Temperatures range from a maximum of 36.5°C in summer to a minimum of 3.8°C in winter. The average yearly temperature is 17.4°C

Local Resources and Infrastructure

The San Antón Property is located within a region of well-established infrastructure. The property area is well serviced by road, rail, and air services, power and water supplies, and skilled and semiskilled local labor. Surrounding cities are capable of providing most of the services required for supporting a major mining operation. Guanajuato municipality has a population of 153,364 inhabitants (official Instituto Nacional de Estadistica y Geografía ("INEGI") projection, 2008) while Dolores Hidalgo C.N.I. has a population of 134,641 inhabitants (official INEGI projection, 2007). The community of San Antón de las Minas covers an area of 2,167 hectares. From 2005 INEGI records, the San Antón de las Minas community has a population of 473 inhabitants living in 78 dwellings at an occupancy rate of 6.1 people per house. San Antón de las Minas community facilities consist of a public primary school, a public secondary school, health center, a Catholic church, and four small general stores that satisfy local consumption. A plentiful supply of semi-skilled and unskilled labor is available in the local community. Subsistence agriculture is the principal activity of adults in the property area with the main crops being maize, beans and chilies. Electricity is supplied to the San Antón de las Minas community through a 13.8 kV, three phase power line operated by the Comisión Federal de Electricidad (Mexican Federal Power Authority), which passes over the southern flank of the Cerro del Gallo deposit and can be easily upgraded. Power supply is generally reliable and comes from the main Dolores Hidalgo to Guanajuato power line.

There are a number of potential sources of water in the area, including groundwater from aquifers and local streams that drain the property area. Several large dams have been constructed in the surrounding area; including the Peñuelitas Dam that has a capacity of 23.8 Mm^3 located 15 km from Cerro del Gallo near the city of Dolores Hidalgo. Since acquiring the Cerro del Gallo property in 2013, the Company has drilled for water in two locations and has acquired a 22 hectare property with an operating water well located approximately 5 km to the east of the proposed mine site.

Physiography and Vegetation

Property is situated in the physiographic region known as the Sierra Madre Oriental. Elevations in the area range from 1,800 metres to 2,670 metres, with the top of Cerro del Gallo having an elevation of 2,310 m. Cerro del Gallo is located along the flank of the San Antonio Mountain Range which trends generally 20° NW. Along the western side of the property spurs from the rugged Guanajuato Mountain Range extend into the property area.

History

The Consejo de Recursos Minerales, the Mexican equivalent of a Department of Mines, commenced an assessment of the San Antón de las Minas area in March 1977 as part of a combined federal and state government program to encourage new investment in the mining industry. Work by the Consejo de Recursos Minerales consisted mainly of regional geological mapping and stream sediment geochemistry, prospect evaluation, and airborne magnetics. The Consejo de Recursos Minerales reported disseminated copper mineralization averaging 0.4% in a quartz monzonite stock at Cerro del Gallo. SAM was formed with the signing of a joint venture agreement between Kings Minerals and Luismin on July 22, 2004.

On May 22, 2013, the Company acquired all of the issued and outstanding ordinary shares of Cerro Resources NL ("Cerro") by way of a scheme of arrangement under the Australian *Corporations Act 2001* . Cerro was an exploration and development company whose principal asset was 69.2% of the feasibility stage Cerro Del Gallo project, a gold-silver-copper deposit located in the province of Guanajuato, Mexico. On December 19, 2013, the Company acquired the remaining 30.8% interest in the Cerro del Gallo project from a subsidiary of Goldcorp.

Historical Exploration and Development Work

The Cooperative was the first company to explore the area in recent times with work commencing in 1982. The company held an interest in the area until 2004 when it sold the project to Luismin S.A. de C.V. (Luismin), however no work was completed in their last 4 years of ownership. The Cooperativa concentrated their work on the Carmen-Providencia vein system where they rehabilitated the Dolores shaft to the 90m level, re-opened the La Mora adit, and commenced development of the Carmen adit along a section of the Carmen vein near the Dolores shaft. Only 2 truckloads of ore totaling 20.9 tons and estimated to average 82g/t Ag and 2.15g/t gold were mined from the Dolores underground workings. The company also completed a regional geological mapping program covering the Carmen-Providencia vein system and Cerro del Gallo. Trenching was completed along the Carmen-Providencia vein system and at Cerro del Gallo. The Cooperative drilled 6 diamond core holes for a total of 1,571.10m and excavated 2 shallow trenches at Cerro del Gallo.

Luismin commenced exploration at San Antón in about 1994 on 2 small contiguous claim blocks totaling 110ha surrounded entirely by tenure owned by the Cooperative. The claims covered half of Cerro del Gallo and the Ave de Gracia epithermal vein system. Most of their work was completed between 1996 and 2000 and all work was focused on Cerro del Gallo. Luismin completed a program of rock chip sampling (616 samples), trenching (10 trenches), 3 lines of dipole-dipole IP surveying (70.6km), and drilling (15 holes for 3,551.3 metres). Declining metal prices from 2000 and subsequent years resulted in exploration budget constraints and the demise of work at Cerro del Gallo.

The metallurgical test work that was carried out for the feasibility study commenced in 2006 and was performed on drill core samples and RC chip samples, by three Australian metallurgical laboratories. Phase 1 was conducted by Independent Metallurgical Laboratories, Welshpool, Western Australia, Phases 2, 3 and 5 were conducted by SGS Lakefield Oretest Pty Ltd, Malaga, Western Australia and phase 4 was conducted by ALS AMMTEC, Balcatta, Western Australia. JKTech of Brisbane Queensland was also used to determine comminution characteristics. Polysius Australia Pty Ltd of Henderson, Western Australia was used to evaluate the suitability of high pressure grinding rolls (“HPGR”) for the crushing of the Cerro del Gallo ores.

Following the acquisition of the property in 2013, Primero embarked on a drilling program (described below) for infilling of the main Cerro del Gallo ore body, condemnation and for regional exploration. In early 2014, approximately 40 tons of core were shipped the SGS laboratory in Lakefield, Ontario to conduct an advanced metallurgical and geochemistry testing program. The goals of this program are to close the gaps identified in the due diligence effort at the acquisition and to improve management confidence in the metallurgical recovery of the ore, particularly in the transition ores which vary in levels of oxidation; to provide a more accurate cyanide consumptions value, to do additional percolation tests, to optimize cement additions during agglomerations, to establish stacking loading capacity, to evaluate leach pad stability, to improve understanding of the geochemical characteristics of the leached ores and the waste rock and to conduct further SART process tests. Testing was started in late Q2, 2014 and continued into mid-2015 **.** The metallurgical testing program is being coordinated by BBA with support from BIOTEQ for the SART process. The metallurgical testing program was put on hold in 2015 with the completion of the humidity cell tests on ore and waste rock. Remaining work consists of column test work, SART process tests and the leach pad stability tests and these will resume once improved market conditions return. In the meantime the remaining 62 pallets of core have been put into storage at a SGS freezer storage facility in Ontario.

Geological Setting

The San Antón Property is located within the Mesozoic Sierra Madre Oriental terrane and 80 km north of the west northwest trending Trans-Mexico Neovolcanic Belt. The Sierra Madre Oriental terrane is a thin skinned fold-thrust belt of Laramide age (Late Cretaceous-Early Tertiary). High level felsic intrusions emplaced into the western two thirds of the terrane provided the mechanism for hydrothermal activity and mineral deposition.

The oldest rocks in the Cerro del Gallo area are a deformed and regionally metamorphosed volcano-sedimentary sequence of Triassic to Cretaceous age referred to as the Esperanza Formation. Around Cerro del Gallo the Esperanza Formation consists of layered sediments of argillaceous, silty argillaceous and arenaceous composition, and fragmental volcanic rocks of broadly intermediate composition. These sedimentary and volcanic rocks form an inlier referred to in this report as the Esperanza Inlier which is surrounded by Tertiary age fragmental volcanic rocks of rhyolitic composition. The Esperanza Formation has been affected by lower greenschist facies regional metamorphism. A crenulation cleavage overprinting an earlier cleavage in phyllite confirms the stratigraphic sequence has been subjected to at least two periods of regional deformation.

Deposits and Mineralization

The San Antón Property is known to host a variety of styles of mineral deposits, including porphyry copper-gold deposits, intrusion-related gold deposits, epithermal silver-gold deposits, and gold-copper skarn deposits. All of these styles of mineralization are known to occur within the property concessions held by SAM. Historic mining within the San Antón de las Minas area was concentrated on epithermal veins, however, the main area of present interest is the large low grade bulk mineable copper-gold-silver deposit at Cerro del Gallo where a significant mineral resource has been identified. The Cerro del Gallo copper-gold-silver deposit lies within an inlier of a conformable sequence of siliclastic sediments and fragmental volcanogenic rocks. At Cerro del Gallo a sequence of fragmental volcanogenic rocks of intermediate bulk composition has been intruded by a small elongated upright felsic stock of granodioritic to monzogranitic composition.

The Cerro del Gallo copper-gold-silver deposit can be considered to be a member of a distinct subclass of “reduced” porphyry-style copper-gold mineralization. These reduced porphyry copper-gold deposits lack primary hematite, magnetite and sulphate minerals, but contain abundant hypogene pyrrhotite, commonly have carbonic ore fluids, and are associated with ilmenite-bearing, reduced I-type granitoids.

Hydrothermalalteration is zoned concentrically around the main felsic intrusive and intensity decreases outwards from the central intrusive. Potassic alteration is the dominant style of alteration in the core of the hydrothermal system which centered on the main felsic intrusive. Hydrothermal propylitic alteration overprints potassic alteration within both the felsic intrusives and wallrocks, and extends laterally beyond the zone of potassic alteration surrounding Cerro del Gallo. Propylitic alteration extends over a radius of up to 1km from the peak of Cerro del Gallo. It is more extensive on the western side of Cerro del Gallo.

Environmental Matters

As part of the development plan for the San Antón Property, a surface water baseline study commenced in October 2005 and was updated in August 2006. This study conforms to federal government standard NOM-127-SSAL1-1994; which is the most comprehensive national standard, and has the most stringent limits. Sampling points were selected across an area ranging from upstream of the San Antón Project to downstream at the Peñuelitas dam near the city of Dolores Hidalgo. The primary objective of the study was to record the physio-chemical characteristics of the quality of surface water at the commencement of exploration in the area and prior to potential development of the property.

Subsequent to the first surface water sampling program a surface water monitoring program has been developed to Mexican national standards in order to monitor seasonal water flow and water quality at strategic points throughout the property area. Additional baseline environmental studies included air quality dust monitoring which commenced in February 2008 and with the installation of a weather station (VAISALA WXT510) in January 2008. Further to the earlier water sampling and monitoring programs, an additional surface water sampling monitoring program was initiated in 2013 in order to add to the existing body of data and to meet specific permitting requirements. This monitoring program will continue into 2017 and 2018.

Exploration and Drilling

The exploration activities at the San Antón property have consisted of drilling (reverse circulation and diamond core) and several sampling programs; including stream sediment, BLEG, Niton® soil and conventional soil sampling. The majority of the exploration work has focussed on the Cerro del Gallo deposit.

San Anton de las Minas ("SAM") completed a limited RC drilling program in December 2004. The main objective of this drill program was to validate and verify previous exploration results and concurrently evaluate the postulated optimum drill direction at the Cerro del Gallo deposit.

SAM commenced resource definition drilling at Cerro del Gallo in April 2005 with the objective of testing coincident multi-element geochemical and geophysical anomalies extending beyond the boundaries of the initial Inferred Mineral Resource estimate. In June 2005 SAM commenced diamond orientated core drilling twinning reverse circulation drill holes from surface.

SAM continued resource definition drilling and commenced metallurgical test work drilling at Cerro del Gallo during 2006 through May 2008. The objective of this program was to test and define the higher gold grade annulus associated with the coincident multi-element geochemical and geophysical anomalies surrounding Cerro del Gallo and to undertake detailed geotechnical and metallurgical test work diamond core drilling.

Drilling at the Cerro del Gallo deposit by SAM between 2004 and 2008 consists of 280 holes of RC drilling for a total of 59,595 metres and 74 holes of diamond drilling for a total of 36,384 m.

Sampling

All RC and DDH samples collected are immediately bagged, tied and placed collectively in larger polyweave bags and then sealed prior to collection. These samples are then securely stored until collected by SGS personnel. Samples collected at the RC drill rig are under constant surveillance around the clock until collected by SGS personnel. Samples collected from DDH core are stored at the secure coreyard facility under constant surveillance until collected by SGS personnel.

RC samples were collected by three samplers under direct supervision of a geologist experienced with RC drilling and sampling techniques who was on-site at all times while drilling and sampling was in progress. Samples were collected continuously at 5 foot (1.52 metres) intervals from the drill collar at surface to the bottom of the hole. The 5 foot sample interval is based on an imperial rod string used by the drilling contractor. Sample collection is systematic and precise in accordance with strict procedural protocols. The splitter and all sampling equipment are cleaned with compressed air after each sample is collected. The laboratory sample is bagged from a single catch tray (1/8 sample) at the base of the splitter while the bulk reject sample is collected from three additional catch trays that were emptied into a UV stabilized large plastic bag. The geochemical sample is placed directly into a pre-addressed polyweave sack for dispatch to the SGS sample preparation laboratory in Durango. Each geochemical sample is weighed on-site at the time of collection to provide a record of sample recovery and consistently average between 2.5 –4 kg in mass throughout the program. Holes are terminated when the sample becomes wet and can easily become contaminated.

Core drilling is HQ (63.5 mm) size and on rare occasions when a size reduction is required due to fractured ground conditions NQ (47.6 mm) is recovered. When possible, the core is re-configured to its original in-situ state to form a continuous cylinder. The core is firstly marked longitudinally with a felt tipped pen and then marked at 1.0 metres intervals for sampling for assay. Since 2013, the sampling intervals were not restricted to 1 m, but were based on geological and structural criteria. The sampling intervals were between 0.5 and 1.5 metres for Cerro del Gallo deposit (infill, delineation, metallurgical and condemnation drilling programs) and between 0.5 and 1.0 metres for the epithermal veins.

SGS Canada Inc. Minerals Services in Toronto, Ontario, Canada and SGS Durango, Mexico were the primary laboratories used for routine element analysis of drill, rock-chip, soil, and stream sediment samples from the San Antón Property. SGS has a sample preparation facility in Durango and since November 2007 the Durango facility commenced fire assay for gold. SGS collect drill, rock-chip, soil, and stream sediment samples from the San Antón Property and transport them to Durango by vehicle. At the laboratory, samples are sorted and routinely oven dried at 105ºC, if necessary (SGS Code DRY 10). After drying, RC and core samples are crushed to 90% passing 2 mm (10#) prior to riffle splitting a sub-sample of ~1,000g for pulverizing (SGS code CRU25). The sample is riffle split using a stainless steel splitter The 1,000g sub-sample is pulverized to 90% passing 75 µm (200#) (SGS code PUL47) using a Labtech ESSA LM2 ring mill with a standard bowl. A subsample of approximately 200-250 g is then sent to SGS Toronto for analysis.

Drill samples were initially routinely assayed for gold, silver, copper, lead, zinc, molybdenum and bismuth up until October 2005. Gold values are routinely determined by fire assay using a 30 g sample pulp with instrumental Atomic Absorption Spectrometry (AAS) finish. Since October 2005 drill samples also have been routinely assayed for a standard suite of 32 elements using SGS Method ICP40B.

PRIMERO MINING CORP.
D ECEMBER 31, 2016

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Report on Financial Statements

The consolidated financial statements of Primero Mining Corp. have been prepared by, and are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and reflect management's best estimates and judgments based on information currently available. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements fairly reflect the financial position and results of operations of the Company.

The Board of Directors is responsible for ensuring management fulfills its financial reporting responsibilities. The Audit Committee meets with the Company's management and external auditors to discuss the results of the audits and to review the consolidated financial statements prior to the Audit Committee's submission to the Board of Directors for approval. The Audit Committee also reviews the quarterly financial statements and recommends them for approval to the Board of Directors, reviews with management the Company's systems of internal control, and reviews the scope of the external auditors' audit and non-audit work. The Audit Committee is composed entirely of directors not involved in the daily operations of the Company who are thus considered to be free from any relationship that could interfere with their exercise of independent judgment as a committee member.

The consolidated financial statements have been audited by KPMG LLP and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

Management's Report over Internal Controls over Financial Reporting

Management has developed and maintains a system of internal controls to obtain reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements. All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and therefore, may not prevent or detect misstatements. Management has assessed the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 has been audited by KPMG LLP, as reflected in their report for 2016.

"Joseph F. Conway"
Joseph F. Conway
President and Chief Executive Officer
March 14, 2017

"Kevin Jennings"
Kevin Jennings
Chief Financial Officer
March 14, 2017

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Primero Mining Corp.

We have audited the accompanying consolidated financial statements of Primero Mining Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, the consolidated statement of operations and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Primero Mining Corp. as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying (qualifying) our opinion, we draw attention to Note 2(b) in the consolidated financial statements which indicates that Primero Mining Corp.'s cash and liquidity position may not be sufficient to meet its obligations as they become due. This condition, along with other matters as set forth in Note 2(b) in the consolidated financial statements, indicate the existence of material uncertainties that cast substantial doubt about Primero Mining Corp.'s ability to continue as a going concern.

Other Matter

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Primero Mining Corp.'s internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 14, 2017 expressed an unqualified (unmodified) opinion on the effectiveness of Primero Mining Corp.'s internal control over financial reporting.

"KPMG LLP"

Chartered Accountants, Licensed Public Accountants
March 14, 2017

Toronto, Canada

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Shareholders and Board of Directors of Primero Mining Corp.

We have audited Primero Mining Corp.'s internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Primero Mining Corp.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the subsection titled Internal Controls over Financial Reporting in Management's Discussion and Analysis for the year ended December 31, 2016. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Primero Mining Corp. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of Primero Mining Corp. as at December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income (loss), changes in equity and cash flows for the years then ended, and our report dated March 14, 2017 expressed an unmodified (unqualified) opinion on those consolidated financial statements.

"KPMG LLP"

Chartered Professional Accountants, Licensed Public Accountants
March 14, 2017

Toronto, Canada

PRIMERO MINING CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2016 AND 2015
(IN THOUSANDS OF UNITED STATES DOLLARS, EXCEPT FOR SHARE AND PER SHARE AMOUNTS)

	Notes		**2016**		2015
Revenue	6	**$**	**219,176**	$	291,304
Operating expenses			**(155,267)**		(163,593)
Depreciation and depletion			**(63,329)**		(77,238)
Total cost of sales			**(218,596)**		(240,831)
Earnings from mine operations			**580**		50,473
Mining interest impairment charge	5		**(228,000)**		(104,000)
Exploration expenses			**(3,414)**		(1,690)
Share-based compensation			**(7,049)**		(7,144)
General and administrative expenses	7		**(14,802)**		(20,044)
Other charges	8		**(4,725)**		(2,702)
Loss from operations			**(257,410)**		(85,107)
Transaction costs	9		**(1,214)**		(4,416)
Interest and finance expenses	10		**(9,299)**		(11,514)
Mark-to-market gain on debentures & warrants	18(d),20(a)		**12,610**		13,500
Other income (expenses)	11		**(571)**		1,024
Loss before income taxes			**(255,884)**		(86,513)
Income tax recovery (expense)	12(a)		**21,464**		(20,397)
Net loss for the period			**($234,420)**		($106,910)
Other comprehensive income (loss), net of tax					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of foreign operations, net of tax of $nil			**(102)**		(5)
Unrealized gain on investment in Fortune Bay, net of tax of $nil	22		**1,058**		60
Reclassification of unrealized loss on investment in Fortune Bay to impairment, net of tax of $nil			**-**		456
Total comprehensive loss for the period			**($233,464)**		($106,399)
Basic loss per share	13		**($1.32)**		($0.66)
Diluted loss per share	13		**($1.32)**		($0.66)
Weighted average number of common shares outstanding					
Basic	13		**177,569,024**		162,340,566
Diluted	13		**177,569,024**		162,340,566

See accompanying notes to the consolidated financial statements.

PRIMERO MINING CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS OF UNITED STATES DOLLARS)

	Notes		**December 31 2016**		December 31 2015
Assets					
Current assets					
Cash and cash equivalents	15	**$**	**19,875**	$	45,601
Trade and other receivables			**1,962**		1,793
Value added and income taxes receivable			**34,494**		32,088
Prepaid expenses			**3,893**		7,125
Inventories	16		**22,829**		31,964
Total current assets			**83,053**		118,571
Non-current assets					
Restricted cash			**4,577**		5,920
Mining interests	17		**577,920**		790,118
Deferred tax asset	12(b)		**3,763**		3,781
Value added tax receivable			**7,344**		-
Long-term stockpile	16		**-**		5,694
Other non-current assets			**1,160**		884
Total assets		**$**	**677,817**	$	924,968
Liabilities					
Current liabilities					
Trade and other payables		**$**	**31,781**	$	44,972
Income tax payable			**1,558**		12,870
Other taxes payable			**2,035**		3,406
Current portion of debt	18		**50,841**		52,417
Total current liabilities			**86,215**		113,665
Non-current liabilities					
Other taxes payable			**14,120**		13,354
Deferred tax liability	12(b)		**28,428**		53,107
Decommissioning liability	19		**29,790**		28,294
Long-term debt	18		**52,906**		62,727
Warrant liability	20(a)		**1,066**		-
Other long-term liabilities			**4,162**		4,945
Total liabilities		**$**	**216,687**	$	276,092
Shareholders' equity					
Share capital	20(a)	**$**	**908,923**	$	867,375
Shares reserved for future issuance	20(a)		**297**		-
Contributed surplus	20(c)		**58,857**		54,984
Accumulated other comprehensive loss			**(3,694)**		(4,650)
Deficit			**(503,253)**		(268,833)
Total shareholders' equity		**$**	**461,130**	$	648,876
Total liabilities and shareholders' equity		**$**	**677,817**	$	924,968

Going concern (Note 2(b))
Commitments and contingencies (Note 24)
Subsequent events (Note 21)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors

"Joseph F. Conway"
Joseph F. Conway, Director

"Michael E. Riley"
Michael E. Riley, Director

PRIMERO MINING CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(IN THOUSANDS OF UNITED STATES DOLLARS, EXCEPT FOR NUMBER OF COMMON SHARES)

	Notes	Share capital		Shares reserved for future issuance	Warrants reserve	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
		Shares	Amount						
Balance, January 1, 2015		161,555,875	$ 858,761	$ -	$ 34,782	$ 21,526	($5,161)	($161,923)	$ 747,985
Shares issued for									
Exercise of stock options		300,000	1,120	-	-	(294)	-	-	826
PSUs settled in shares		963,164	4,364	-	-	(4,404)	-	-	(40)
Flow-through agreement		1,366,768	3,130	-	-	-	-	-	3,130
Expiry of warrants, net of tax	20(b)	-	-	-	(34,782)	30,046	-	-	(4,736)
Reclassification of unrealized loss on investment in Fortune Bay		-	-	-	-	-	456	-	456
Foreign currency translation		-	-	-	-	-	(5)	-	(5)
Unrealized gain on investment in Fortune Bay		-	-	-	-	-	60	-	60
Share-based compensation		-	-	-	-	8,110	-	-	8,110
Loss for the period		-	-	-	-	-	-	(106,910)	(106,910)
Balance, December 31, 2015		164,185,807	$ 867,375	$ -	$ -	$ 54,984	($4,650)	($268,833)	$ 648,876
Shares issued for									
Public equity offering (net of transaction costs)	20(a)	22,022,500	33,047	-	-	-	-	-	33,047
Acquisition of mining concessions	20(a)	1,854,271	3,540	-	-	-	-	-	3,540
PSUs settled in shares	20(c)	1,445,787	4,961	-	-	(4,851)	-	-	110
Common shares reserved for future issuance	20(a)	-	-	297	-	-	-	-	297
Share-based compensation	20(c)	-	-	-	-	8,724	-	-	8,724
Other comprehensive income, net of tax		-	-	-	-	-	956	-	956
Loss for the period		-	-	-	-	-	-	(234,420)	(234,420)
Balance, December 31, 2016		189,508,365	$ 908,923	$ 297	$ -	$ 58,857	($3,694)	($503,253)	$ 461,130

Total comprehensive loss was $233.5 million for the year ended December 31, 2016 (December 31, 2015 – $106.4 million) .

See accompanying notes to the consolidated financial statements.

PRIMERO MINING CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(IN THOUSANDS OF UNITED STATES DOLLARS)

	Notes		**2016**		2015
Operating activities					
Earnings (loss) before income taxes			**($255,884)**		($86,513)
Adjustments for:					
Depreciation and depletion	17		**63,329**		77,238
Mining interest impairment charge	5		**228,000**		104,000
Share-based compensation expense	20		**8,586**		8,938
Payments made under the Phantom Share Unit Plan	20		**(377)**		(4,245)
Mark-to-market gain on convertible debentures	18(d)		**(9,000)**		(13,500)
Mark-to-market gain on warrant liability	20		**(3,610)**		-
Write-down of inventory	16		**1,040**		3,048
Unrealized foreign exchange loss (gain)			**2,390**		(4,743)
Taxes paid with cash and value added tax offsets			**(29,625)**		(15,104)
Other			**975**		(1,007)
Other adjustments					
Transaction costs (disclosed in financing activities)			**232**		3,651
Finance income			**(88)**		(111)
Interest and finance expenses	10		**9,299**		11,514
Operating cash flow before working capital changes			**15,267**		83,166
Changes in non-cash working capital	14		**(2,158)**		(1,537)
Cash provided by operating activities		**$**	**13,109**	$	81,629
Investing activities					
Expenditures on mining interests	17		**($67,673)**		($99,722)
Cash used in investing activities			**($67,673)**		($99,722)
Financing activities					
Proceeds from equity offering	20(a)	**$**	**39,958**	$	-
Transaction costs on equity offering	20(a)		**(2,464)**		-
Draw down on revolving credit facility	18(b)		**50,000**		-
Repayment of convertible debenture	18(a)		**(48,116)**		-
Repayment of revolving credit facility			**-**		(40,000)
Payments on capital leases	18(c)		**(4,497)**		(5,715)
Funds released from reclamation bond			**1,564**		9,846
Interest paid			**(7,493)**		(6,267)
Proceeds from exercise of options			**-**		828
Proceeds from issuance of flow-through shares			**-**		4,340
Issuance of convertible debt	18(d)		**-**		75,000
Transaction costs on issuance of convertible debt			**-**		(3,651)
Cash provided by financing activites		**$**	**28,952**	$	34,381
Effect of foreign exchange rate changes on cash			**($114)**	$	1,924
Increase (decrease) in cash			**($25,726)**	$	18,212
Cash, beginning of period			**45,601**		27,389
Cash, end of period		**$**	**19,875**	$	45,601

See accompanying notes to the consolidated financial statements.

1. Corporate Information

Primero Mining Corp. (Primero or the Company) is a publicly traded company, listed on both the Toronto and New York Stock Exchanges. Its registered office is Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia. The Corporate address is Suite 2100, 79 Wellington Street West, Toronto, Ontario. The Company owns two producing properties, the San Dimas gold-silver mine in the San Dimas district of Mexico and the Black Fox gold mine and adjoining properties in Timmins, Ontario, Canada (the "Black Fox Complex"). The Company also has two projects in the exploration stage, Cerro del Gallo and Ventanas, both located in Mexico.

2. Basis of Preparation and Summary of Significant Accounting Policies

a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance and full compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements were approved by the Company's Board of Directors on March 14, 2017.

b) Basis of presentation and going concern

These consolidated financial statements have been prepared on a going concern basis, under the historical cost basis, except for the certain financial instruments which are presented at fair value.

As at December 31, 2016, the Company had a working capital deficiency of $3.2 million primarily due to the revolving credit facility balance (Note 18) of $50.0 million due on May 23, 2017. The Company's revolving credit facility contains several financial covenants, which, if not met could result in an event of default. The Company closely monitors compliance with its covenants, as any breach of covenant could result in an event of default under the revolving credit facility agreement, which, if not addressed, would entitle the lender to demand repayment. The revolving credit facility also contains certain other covenants, including cross-default provisions with the Company's 5.75% convertible debentures. As at December 31, 2016, the Company was in compliance with all its covenants under the revolving credit facility agreement.

The Company has been impacted by disappointing operating results in 2016, and on February 15, 2017 the unionized employees at the San Dimas mine initiated a strike action resulting in the complete stoppage of mining and milling activities. It is currently uncertain when the Company will resolve the work stoppage at San Dimas and as a result when it can achieve positive cash flows and profitability from operations is uncertain.

The Company is undertaking a number of actions to reduce cash outflows, and the Company's Board of Directors has commenced a strategic review process to explore alternatives to improve shareholder value. The alternatives include such things as securing additional financing, strategic investments, joint ventures and asset sales.

There can be no assurance that the Company's efforts will be successful in any of these initiatives.

On February 27, 2017, the Company entered into a term sheet with Sprott Resource Lending Partnership (Sprott), which provides for a $75 million three year term loan facility to repay amounts due under the revolving credit facility and provide additional liquidity by way of an initial draw on closing of $60 million. Although the Company believes that definitive agreements with Sprott will be finalized, there can be no assurance that the Company's efforts to obtain financing from Sprott or others will be successful. The term sheet with Sprott includes certain covenants including minimum working capital requirements, limitations on additional borrowings, and cross-default provisions with the Company's 5.75% convertible debentures, which, if not met or otherwise addressed, would result in an event of default under the term loan and the Company's 5.75% convertible debentures entitling the lenders to demand repayment of all the amounts borrowed under the term loan and 5.75% convertible debentures. Due to the factors impacting the Company's operating results noted above, there exists uncertainty about the Company's ability to achieve certain financial covenants under both the existing revolving credit facility agreement (see Note 21), and those under the Sprott term sheet in 2017.

The above noted factors represent material uncertainties that cast substantial doubt on the ability of the Company to continue as a going concern. These financial statements do not include the adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

These consolidated financial statements include the accounts of the Company and its subsidiaries from their respective dates of acquisition. All intragroup balances and transactions between entities of the group have been eliminated in full. The Company's significant subsidiaries, which are all wholly owned, are:

Subsidiary	Location	Property
Primero Empresa Minera, S.A. de C.V. (PEM)	Mexico	San Dimas Mine and Ventanas
San Anton de las Minas, S.A. de C.V.	Mexico	Cerro del Gallo Project
Silver Trading (Barbados) Limited (STB)	Barbados	-
Primero Mining Luxembourg S.a.r.l.	Luxembourg	-

c) Functional and presentation currency

The functional and presentation currency of the Company is the U.S. dollar. The functional currency of PEM, San Anton de las Minas S.A. de C.V. and STB is the U.S. dollar. The functional currency of Primero Mining Luxembourg S.a.r.l. is the Mexican peso.

On January 1, 2015, Primero Gold Canada Inc. (PGCI) and Primero Mining Corp. (PMC) amalgamated as one company under the name Primero Mining Corp. (amalgamated PMC). PGCI, which held the Black Fox Complex assets, used the U.S. dollar as its functional currency, while the functional currency of PMC was the Canadian dollar. As a result of the change in the underlying conditions relevant to amalgamated PMC, effective March 31, 2015 the functional currency was changed from the Canadian dollar to the U.S. dollar.

For entities using U.S. dollars as the functional currency, all monetary assets and liabilities denominated in a currency other than the U.S. dollar are translated at current exchange rates at each balance sheet date and the resulting adjustments are included in a separate line item under other income (expenses). Revenue and expense in foreign currencies are translated using the exchange rates at the date of the transaction.

The accounts of Primero Mining Luxembourg S.a.r.l. are translated into the U.S. dollar presentation currency as follows: all assets and liabilities are translated at the exchange rate prevailing at the statement of financial position date; equity balances are translated at the rates of exchange at the transaction dates, and all items included in the statement of operations are translated using the annual average exchange rates unless there are significant fluctuations in the exchange rate, in which case the rate at the date of transaction is used. All differences arising upon the translation to the presentation currency are recorded in the foreign currency translation reserve within accumulated other comprehensive loss; there is no tax impact of this translation.

d) Revenue recognition

Revenue is derived from the sale of gold and silver. Revenue is recognized on individual contracts when there is persuasive evidence that all of the following criteria are met:

- the significant risks and rewards of ownership have been transferred to the buyer;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold have been retained;
- the amount of revenue and costs to sell can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company and collectability of proceeds is reasonably assured.

All of these criteria are met based on the contract with the respective buyers which generally coincides with the receipt of the sales proceeds. Sales prices are based on the terms of the contract or at spot prices.

e) Inventories

Inventories including finished goods (gold and silver), work-in-progress, and stockpiled ore are valued at the lower of average production cost and net realizable value. Net realizable value is calculated as the estimated price at the time of sale less estimated future production costs to convert the inventories into saleable form.

Ore extracted from a mine is stockpiled and subsequently processed into finished goods. Production costs including mining and milling costs, applicable overhead costs, depreciation and depletion are capitalized to inventory depending on its current location and condition. Inventories of stockpiled ore that are not expected to be processed in the next year are classified as non-current inventories.

Inventories also include supplies, which are valued at the lower of average cost or replacement cost.

f) Financial instruments

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends upon whether the financial instrument is classified as fair value through profit or loss (FVTPL), available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Financial instruments classified as FVTPL are measured at fair value with gains and losses recognized in the statement of operations and comprehensive income (loss). The 5.75% convertible debentures and warrant liability are classified as FVTPL and measured at fair value based on their trading price. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities classified as other liabilities, are measured at amortized cost. Trade and other receivables, cash and cash equivalents, and restricted cash are classified as loans and receivables, and are measured at amortized cost. Trade and other payables, the revolving line of credit and the 6.5% convertible debentures are classified as other financial liabilities, and are also measured at amortized cost.

Transaction costs in respect of financial assets and liabilities which are measured at FVTPL are recognized in the statement of operations and comprehensive income (loss) immediately. Transaction costs in respect of other financial instruments are included in the initial carrying value of the financial instrument.

A financial asset is classified as available-for-sale when: (i) it is not classified as a loan and receivable, a held-to-maturity investment or at FVTPL; or (ii) it is designated as available-for-sale on initial recognition. The Company's equity investment in Fortune Bay (included in other assets) is classified as available-for-sale and is measured at fair value with mark-to-market gains and losses recognized in other comprenhensive income (OCI). When available-for-sale investments in marketable securities and equity securities are derecognized, the cumulative mark-to-market gains or losses that had been previously recognized in OCI are reclassified to earnings for the period. When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been previously recognized in OCI is reclassified to earnings for the period.

The Company may enter into derivative contracts or financial instruments and non-financial contracts containing embedded derivatives. Embedded derivatives are required to be accounted for separately at fair value as derivatives when the risks and characteristics of the embedded derivatives are not closely related to those of their host contract, and the host contract is not designated as FVTPL. These embedded derivatives are measured at fair value with changes in fair value recognized in earnings for the period.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through 'arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay under the guarantee.

g) Mining interests

The Company categorizes mining interests based on the type of asset and/or the stage of operation, development or exploration of the property.

Land, buildings, plant and equipment includes land, mobile and stationary equipment, and refining and processing facilities for all properties regardless of their stage of development or operation.

Mineral properties include:

- Development and operating properties which include capitalized development and stripping costs, cost of assets under construction, capitalized exploration and evaluation costs and mineral interests for those properties currently in operation for which development has commenced or for which technical feasibility and commercial viability have been determined; and
- Pre-development properties which include exploration and evaluation costs and mineral interests for those properties for which development has not commenced.

Land, buildings, plant and equipment

Upon initial acquisition, land, buildings, plant and equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management.

In subsequent periods, buildings, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment charges. Land is stated at cost less any impairment in value and is not depreciated.

Buildings, plant and equipment are depreciated (net of residual value) using the straight-line method based on estimated useful lives.

Where significant components of an asset have differing useful lives, depreciation is calculated on each separate component. The estimated useful life of each item or part has due regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates which affect depreciation are accounted for prospectively.

The expected useful lives are as follows:

Plant and buildings	5 years to life of mine
Equipment and vehicles	4 years to life of mine
Computer equipment	3 to 5 years

Mining properties

The cost of acquiring mineral reserves and mineral resources is capitalized in the statement of financial position as incurred.

Mine development costs incurred to develop areas of the mine which will be mined in future periods are capitalized and depleted when the related mining area is mined. Mine development costs incurred to prepare current production areas are considered operating expenses and expensed in the year as incurred.

Mining properties are depleted using the units-of-production method over the mine's estimated proven and probable reserves and, if appropriate, an estimate of the portion of resources expected to be classified as reserves. Depletion is calculated on a mine-by-mine basis.

The Company's depletion estimation methodology allocates mining properties from operating mines into a depletable component and a non-depletable component upon initial acquisition. The value assigned to the depletable component is equal to the value assigned to the proven and probable reserves and a portion of resources of the asset. The value assigned to the non-depletable component is the value assigned to the exploration potential of the asset and the remaining resources not included in the depletable component. Values allocated to both the depletable and non-depletable components may be adjusted prospectively when there has been a significant change in the reserves, resources and/or exploration potential.

The allocation of values to the proven and probable reserves, resources and exploration potential of the asset are based on the discounted cash flow analysis of the Company's future expected cash flows at each operating mine. The depletable component is depleted over 100% of reserves and a portion of resources included in the Company's discounted cash flow analysis. The non-depletable component is not depleted but, in combination with the depletable component, is evaluated for impairment when events and changes in circumstances indicate that the carrying amount may not be recoverable.

Reserves (including proven and probable) and resources (including measured, indicated and inferred) are based on the definitions in National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). Exploration potential is the mineralization quantified by the Company's geologists with a sufficient degree of confidence to include in the Company's fair value determination, but without the necessary level of measurement precision to enable it to be classified as a resource as defined by NI 43-101.

Each year, coincident with the updated reserve and resource estimates, the Company expects that a portion of resources will be transferred to reserves and a portion of exploration potential will be transferred to resources. As a result, the category of non-depletable mineralization is expected to reduce and, in the absence of further additions to exploration potential, eventually be fully classified within the depletable component over the life of mine.

When considering the portion of resources to include in the depletion base of the depletable component, management considers the resources which are believed to have the probability of eventually being classified as proven and probable reserves, which includes:

- resources that can be economically mined and are therefore commercially viable, considering management's assumptions on cut off grades, long-term gold and silver prices and exchange rates,
- historical experience and available geological and drilling information of the area under consideration.

Development costs incurred during a period are added to the total mining property capitalized at the commencement of the period in calculating the depletion expense. Future development costs necessary to access resources, have been taken into account when determining the pattern of depletion for the Company's mining properties; such costs are included in the discounted cash flow analysis and are determined by the Company's geologists and engineers based on an in-depth knowledge of the mine and planned development work to access resources.

Exploration and evaluation expenditures

Exploration and evaluation expenditures are charged to the statement of operations and comprehensive income (loss) in the period incurred unless management determines that probable future economic benefits will be generated as a result of the expenditures.

Once a project has been established as technically feasible and commercially viable, the capitalized expenditures are tested for impairment and transferred from exploration and evaluation costs to development costs within mining properties. If events take place subsequently and such project is no longer considered commercially viable it would be transferred back from development costs to exploration and evaluation expenditures.

Major maintenance and repairs

Expenditure on major maintenance and repairs includes the cost of replacement parts of assets and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will be available to the Company, that expenditure is capitalized and the carrying amount of the item replaced derecognized. Similarly, overhaul costs associated with major maintenance are capitalized when it is probable that future economic benefits will be available and any remaining carrying amounts of the cost of previous overhauls are derecognized. All other maintenance and repair costs are expensed as incurred.

Borrowing costs

Borrowing costs directly relating to the financing of qualifying assets are added to the capitalized cost of those projects until such time as the assets are substantially ready for their intended use or sale which, in the case of mining properties, is when they are capable of commercial production. Where funds have been borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

All other borrowing costs are recognized in the statement of operations and comprehensive income (loss) in the year in which they are incurred. Borrowing costs are included as part of interest paid in the statement of cash flows.

Leases

The Company holds leases for office space and equipment. Leases are classified as either finance or operating leases.

Assets held under finance leases, where substantially all of the risks and rewards of ownership have passed to the Company, are capitalized in the statement of financial position at the lower of the fair value of the leased property and the present value of the minimum lease payments during the lease term calculated using the interest rate implicit in the lease agreement. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Capitalized amounts are determined at the inception of the lease and are depreciated over the shorter of their useful economic lives or the lease term. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of operations and comprehensive income (loss) as finance expense unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's accounting policy on borrowing costs.

Leases where substantially all of the risks and rewards of ownership have not passed to the Company are classified as operating leases. Rentals payable under operating leases are charged to the statement of operations and comprehensive income (loss) as operating expenses or general and administrative expenses on a straight-line basis over the lease term.

Impairment of non-current assets

The carrying amounts of assets included in mining interests are reviewed for impairment when events and changes in circumstances indicate that the related carrying amounts may not be recoverable. In addition, capitalized exploration and evaluation costs are assessed for impairment upon demonstrating commercial viability of a project. The carrying amounts of the assets are compared to the recoverable amount of the assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable. The recoverable amount is the higher of value-in-use and fair value less cost of disposal (FVLCD).

For mining assets, when a binding sale agreement and observable market prices are not readily available, FVLCD is estimated using a discounted cash flow approach for each of the Company's cash generating units (CGUs) to which the individual assets are allocated. The assumptions used in determining the FVLCD for the CGU's include long-term mining plans, long-term commodity prices, discount rates, foreign exchange rates and values of un-modeled mineralization.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment is recognized immediately as an expense.

Where an impairment subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, subject to the amount not exceeding the carrying amount that would have been determined had no impairment been recognized for the asset (or CGU) in prior periods. A reversal of impairment is recognized during the period in the statement of operations and comprehensive income (loss).

Disposal

Upon disposition, an item within mining interests is derecognized, and the difference between its carrying value and net sales proceeds is disclosed as a gain or loss on disposal in the statement of operations and comprehensive income (loss).

h) Income taxes

Income tax expense (recovery) comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of operations and comprehensive income (loss) except to the extent they relate to items recognized directly in equity or in OCI, in which case the related taxes are recognized in equity or OCI.

Current income tax is the expected cash tax payable or receivable on the local taxable income or loss for the year for each taxable entity using tax rates enacted or substantively enacted at the reporting date. This may differ from earnings reported in the statement of operations and comprehensive income (loss) due to income or expense items that are not currently taxable or deductible for tax purposes, and any adjustment to income taxes in respect of previous years.

Deferred income tax is recognized in respect of unused tax losses, tax credits and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rates that have been substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company records foreign exchange gains and losses representing the impacts of movements in foreign exchange rates on the tax bases of non-monetary assets and liabilities which are denominated in foreign currencies. Foreign exchange gains and losses relating to the translation of the deferred income tax balance from local statutory accounts to functional currency accounts are included in deferred income tax expense or recovery in the statements of operations and comprehensive income (loss).

Uncertain income tax positions are recorded in the consolidated financial statements when probable and measured at the amount expected to be paid to (recovered from) the taxation authority using the Company's best estimate of the amount.

i) Share–based compensation

Equity-settled awards to employees and others providing similar services

For equity-settled awards, the fair value of the award is charged to the statement of operations and comprehensive income (loss) and credited to share-based compensation reserve (within equity in the consolidated statement of financial position) ratably over the vesting period, after adjusting for the number of awards that are expected to vest. The fair value of the awards is determined at the date of grant using the Black-Scholes option pricing model. At each statement of financial position date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest, is computed and charged to the statement of operations and comprehensive income (loss).

Expenses recognized for forfeited awards are reversed. For awards that are cancelled, any expense not yet recognized is recognized immediately in the statement of operations and comprehensive income (loss).

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified over the original vesting period. In addition, an expense is recognized for any modification which increases the total fair value of the share-based payment arrangement as measured at the date of modification, over the remainder of the vesting period.

Cash-settled awards to employees and others providing similar services

For cash-settled awards, the fair value is re-calculated at each statement of financial position date until the awards are settled, using the Company's share price (with any changes in fair value recognized in the statement of operations and comprehensive income (loss)). During the vesting period, a liability is recognized representing the portion of the vesting period which has expired at the statement of financial position date multiplied by the fair value of the awards expected to vest at that date. After vesting, the full fair value of the unsettled awards at each statement of financial position date is recognized as a liability. Movements in value are recognized in the statement of operations and comprehensive income (loss).

Equity or cash-settled awards to employees and others providing similar services

The Company accounts for awards issued under the 2013 Phantom Share Unit Plan as equity-settled. For equity-settled awards, the fair value of the award is charged to the statement of operations and comprehensive income (loss) and credited to share-based compensation reserve (within equity in the consolidated statement of financial position) ratably over the vesting period. The fair value of the awards is determined at the date of grant using the closing market price of the Company's shares. At each statement of financial position date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest, is computed and charged to the statement of operations and comprehensive income (loss).

No expense is recognized for awards that ultimately do not vest. For any awards that are cancelled, any expense not yet recognized is recognized immediately in the statement of operations and comprehensive income (loss).

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified over the original vesting period. In addition, an expense is recognized for any modification which increases the total fair value of the share-based compensation arrangement as measured at the date of modification, over the remainder of the vesting period.

j) Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of operations and comprehensive income (loss) net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance expense in the statement of operations and comprehensive income (loss).

Decommissioning liability

The Company records a liability for the estimated reclamation and closure of a mine, including site rehabilitation and long-term treatment and monitoring costs, discounted to net present value; this liability is then accreted to full value over the life of the mine with the accretion charge being recorded as a finance expense. The net present value is determined using the liability-specific risk-free interest rate. The estimated net present value of reclamation and closure cost obligations is re-measured each reporting period or when changes in circumstances occur and/or new material information becomes available. Increases or decreases to the obligations arise due to changes in legal or regulatory requirements, the extent of environmental remediation required, cost estimates and the discount rate applied to the obligation. The net present value of the estimated cost of these changes is recorded in the period in which the change is identified and quantifiable. Reclamation and closure cost obligations relating to operating mines and development projects are recorded with a corresponding increase to the carrying amounts of related assets and the adjusted cost is depreciated on a prospective basis.

k) Flow-through shares

The Company may, from time to time, issue flow-through shares (as defined in the Canadian Income Tax Act) to finance a portion of its Canadian exploration program. Pursuant to the terms of the flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the subscribers by an agreed upon date. The excess of cash consideration received over the market price of the Company's shares at the date of the announcement of the flow-through share financing is recorded as a liability. This liability is extinguished and recognized in the statement of operations and comprehensive income (loss) when the renunciation of the tax benefit by the Company, is recorded.

A deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures that are capitalized to exploration and evaluation assets and their tax basis. If the Company has sufficient tax assets to offset the deferred tax liability, the liability will be offset by use of the deferred tax asset.

l) Income (loss) per share

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. The computation of diluted income (loss) per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on income (loss) per share. For this purpose, the treasury stock method is used for the assumed proceeds upon the exercise of stock options and warrants that are used to purchase common shares at the average market price during the period.

m) Segmented reporting

The Company operates in two geographic areas; Mexico and Canada. The Company's operating segments reflect the Company's different mining interests and are reported in a manner consistent with the internal reporting to the chief operating decision maker, used to assess each segment's performance. Primero currently has three reportable segments: the San Dimas mine (which currently includes the Ventanas property and Coral Silver concessions), the Black Fox Complex and the Cerro del Gallo project.

n) Recent pronouncements issued

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact in the future on the Company. The Company is currently evaluating the impact of adopting these standards on its consolidated financial statements.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* which supersedes existing standards and interpretations including IAS 18, *Revenue* . IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is currently effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* (IFRS 9). This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments and includes a substantially reformed approach to hedge accounting.

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted, provided IFRS 15 has been adopted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting for lessees.

3. Critical Accounting Estimates and Judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities at the date of the financial statements. If in future such judgements, estimates and assumptions, which are based on management's experience and knowledge of the relevant facts and circumstances at the date of the financial statements, deviate materially from actual circumstances, the original judgements, estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

a) Accounting estimates

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

(i) Estimated recoverable reserves and resources

The Company estimates its proven and probable mineral reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. Estimated ounces from mineral reserves and resources as well as estimates for exploration potential are included in the Company's estimation of future cash flows. These cash flows are based on factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in estimated ounces may impact the carrying value of assets, reclamation and remediation obligations, recognition of deferred tax amounts, depreciation and depletion, and impairment charges.

(ii) Determination of useful lives of property, plant and equipment

Property, plant and equipment are depreciated to their estimated residual value over the estimated useful life of the asset. Should the actual useful life of the property, plant or equipment vary, future depreciation charges may change.

(iii) Impairment charges

Non-current assets are tested for impairment if there is an indicator of impairment. The impairment analysis requires the use of estimates and assumptions, including amongst others, long-term commodity prices, discount rates, length of mine life, future production levels, future operating costs, future capital expenditures and tax estimates. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances the carrying value of the assets may be impaired or a prior period's impairment charge reversed with the impact recorded in the statements of operations and comprehensive income (loss).

(iv) Decommissioning liability

The Company's accounting policy for the recognition of accrued site closure costs requires significant estimates and assumptions such as the requirements of the relevant legal and regulatory framework, the magnitude of possible disturbance and the timing, extent and costs of required closure, rehabilitation activity and applicable discount rates. Changes to these estimates and assumptions may result in actual expenditures in the future differing from the amounts currently provided for. The decommissioning liability is periodically reviewed and updated based on the available facts and circumstances.

(v) Income taxes

The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period of change. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, the market price for gold and silver, production costs, quantities of proven and probable reserves, interest rates and foreign currency exchange rates.

(vi) Valuation of inventory

All inventory, other than supplies, is valued at the lower of average cost or net realizable value. Management is required to make various estimates and assumptions to determine the value of stockpiled ore, in-circuit inventories and doré inventories. The estimates and assumptions include surveyed quantities of stockpiled ore, in-circuit process volumes, gold and silver contents of both, costs to recover saleable ounces, recoverable ounces once processed and the price per ounce of gold or silver when ounces of gold and silver are expected to be recovered and sold.

(vii) Share-based compensation

The Company makes certain estimates and assumptions when calculating the fair values of share-based compensation granted. The significant estimations and assumptions include expected volatility, expected life, expected dividend rate and risk-free rate of return.

b) Accounting judgments

The critical judgments that the Company's management have made that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

(i) Functional currency

The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which an entity operates may not be clear. This can have a significant impact on the consolidated results of the Company.

(ii) Tax ruling in Mexico

On October 4, 2012, PEM received a ruling (APA Ruling) from the Mexican tax authority (SAT) which confirmed the appropriate price for sales of silver under the Amended and Restated Silver Purchase Agreement (see note 12 (c) for further information). Under Mexican tax law, an APA Ruling is generally applicable for up to a five year period (which in the Company's case, covered the year in which the ruling application was filed, the immediately preceding year and the three subsequent years). The Company's APA Ruling covered the five years ending December 31, 2014.

In February 2016, PEM received a legal claim from the Mexican tax authority seeking to nullify the APA. The legal claim initiated does not identify any different basis for paying taxes, nor have any tax reassessments been received from the SAT. The Company intends to vigorously defend the validity of its APA. If the SAT is successful in retroactively nullifying the APA, the SAT may seek to reassess PEM in respect of its sales of silver in connection with the Silver Purchase Agreement for 2010 through 2014. While PEM would have rights of appeal in connection with any reassessments the amount of additional taxes that the SAT could reassess PEM for the tax years 2010 through 2014 on the silver sold in connection with the Silver Purchase Agreement would likely have a material adverse effect on the Company's results of operations, financial condition and cash flows.

For the 2015 and 2016 tax years, the Company continued to record its revenue from sales of silver for purposes of Mexican tax accounting in a manner consistent with the APA on the basis that the applicable facts and laws have not changed. The Company's legal and financial advisors continue to believe that the Company has filed its tax returns compliant with applicable Mexican law. To the extent the SAT determines that the appropriate price of silver sales under the Silver Purchase Agreement is significantly different from the realized price and while PEM would have rights of appeal in connection with any reassessments, it is likely to have a material adverse effect on the Company's business, financial condition and results of operations.

4. Segmented information

The Company operates in two geographic areas, Mexico (the San Dimas mine and the Cerro del Gallo project) and Canada (the Black Fox Complex). The Company's operating segments reflect its different mining interests and are reported in a manner consistent with the internal reporting used to assess each segment's performance. Significant information relating to reportable operating segments is summarized below:

	San Dimas Mine	Cerro del Gallo Project	Black Fox Complex	Corporate	Total
As at December 31, 2016					
Current assets	$ 60,604	$ 1,479	$ 16,761	$ 4,209	**$ 83,053**
Mining interests	428,251	63,659	85,680	330	**577,920**
Other non-current assets	11,107	-	4,577	1,160	**16,844**
Total assets	$ 499,962	$ 65,138	$ 107,018	$ 5,699	**$ 677,817**
Current liabilities	$ 20,373	$ 18	$ 10,988	$ 54,836	**$ 86,215**
Non-current liabilities	50,585	5,711	20,315	53,861	**130,472**
Total liabilities	$ 70,958	$ 5,729	$ 31,303	$ 108,697	**$ 216,687**
As at December 31, 2015					
Current assets	$ 80,048	$ 2,044	$ 28,425	$ 8,054	**$ 118,571**
Mining interests	541,988	63,232	184,485	413	**790,118**
Other non-current assets	3,781	-	11,615	883	**16,279**
Total assets	$ 625,817	$ 65,276	$ 224,525	$ 9,350	**$ 924,968**
Current liabilities	$ 44,284	$ 91	$ 12,543	$ 56,747	**$ 113,665**
Non-current liabilities	73,850	6,037	20,197	62,343	**162,427**
Total liabilities	$ 118,134	$ 6,128	$ 32,740	$ 119,090	**$ 276,092**
Year Ended December 31, 2016					
Revenue	$ 147,581	$ -	$ 71,595	$ -	**$ 219,176**
Operating expenses	100,452	-	54,815	-	**155,267**
Depreciation and depletion	46,984	82	16,131	132	**63,329**
Total cost of sales	147,436	82	70,946	132	**218,596**
Earnings (loss) from mine operations	145	(82)	649	(132)	**580**
Mining interest impairment charge	(111,000)	-	(117,000)	-	**(228,000)**
Exploration expenses	(1,885)	(1,529)	-	-	**(3,414)**
Share-based compensation	-	-	-	(7,049)	**(7,049)**
General and administrative expenses	(5,419)	(164)	(1,109)	(8,110)	**(14,802)**
Other charges	(2,327)	-	-	(2,398)	**(4,725)**
Loss from operations	(120,486)	(1,775)	(117,460)	(17,689)	**(257,410)**
Other income (expense) items	(1,494)	(315)	(902)	4,237	**1,526**
Loss before income taxes	(121,980)	(2,090)	(118,362)	(13,452)	**(255,884)**
Income tax recovery (expense)	19,938	326	1,200	-	**21,464**
Net loss	($102,042)	($1,764)	($117,162)	($13,452)	**($234,420)**
Year Ended December 31, 2015					
Revenue	$ 213,192	$ -	$ 78,112	$ -	**$ 291,304**
Operating expenses	103,782	-	59,811	-	**163,593**
Depreciation and depletion	55,693	90	21,312	143	**77,238**
Total cost of sales	159,475	90	81,123	143	**240,831**
Earnings (loss) from mine operations	53,717	(90)	(3,011)	(143)	**50,473**
Mining interest impairment charge	-	(22,000)	(82,000)	-	**(104,000)**
Exploration expenses	(1,690)	-	-	-	**(1,690)**
Share-based compensation	-	-	-	(7,144)	**(7,144)**
General and administrative expenses	(2,546)	(21)	(1,002)	(16,475)	**(20,044)**
Other charges	(694)	-	-	(2,008)	**(2,702)**
Earnings (loss) from operations	48,787	(22,111)	(86,013)	(25,770)	**(85,107)**
Other income (expense) items	(4,225)	41	2,836	(58)	**(1,406)**
Earnings (loss) before income taxes	44,562	(22,070)	(83,177)	(25,828)	**(86,513)**
Income tax recovery (expense)	(32,536)	(323)	7,917	4,545	**(20,397)**
Net income (loss)	$ 12,026	($22,393)	($75,260)	($21,283)	**($106,910)**

5. Mining Interest Impairment Charge

In accordance with our accounting policy, non-current assets are tested for impairment when events or changes in circumstances suggest that the carrying amount may not be recoverable. When there is an indicator of impairment the impacted CGU is tested for impairment separately.

In 2016, the Company's share price declined such that the carrying value of its net assets exceeded its market capitalization. In addition, during the fourth quarter, the Company identified impairment indicators at San Dimas mine and Black Fox Complex and as a result, recorded non-cash impairment charges of $111.0 million and $117.0 million, respectively based on their FVLCD, which exceeds the value in use for both CGUs. The impairment has been recognized in the consolidated statement of operations and comprehensive income (loss) within "Mining interest impairment charge". The Black Fox Complex comprises the Black Fox mine and adjacent properties, Grey Fox and Pike River.

For the year ended December 31, 2015 the Company recorded non-cash impairment charges of $104.0 million, comprised of $82.0 million relating to the Black Fox Complex and $22.0 million relating to the Cerro del Gallo project.

The recoverable amount was determined as the FVLCD for each CGU. FVLCD was determined based on the net present value of the future estimated cash flows expected to be generated from the continued use of the CGUs, using assumptions derived from from observable market indicators and the current life-of–mines plans for each operation. The mine plans are typically developed annually and are based on management's current best estimates of optimized mine and processing plans, future operating costs and the assessment of capital expenditure at the mine site. The determination of the FVLCD used Level 3 valuation techniques. Key assumptions used in the fair value models include:

Assumptions		**2016**		2015
Discount rate		**6.5% - 8.5%**		5% - 7%
Gold price				
Short term	**$**	**1,250**	$	1,100
Long term	**$**	**1,300**	$	1,200
Foreign exchange				
Mexican peso (MXN)				
Short term		**MXN 18**		n.a.
Long term		**MXN 20**		n.a.
Canadian Dollar (CAD)				
Short term /long term		**CAD 1.30**		CAD 1.40
Market value per gold ounce		**n.a.**	$	25
Life of mine (in years) [1]		**5 & 17**		11

[1] For purposes of assessing asset impairment, the Company used an estimated life of mine of 5 years for Black Fox and 17 years for San Dimas as of December 31, 2016, and 11 years for Black Fox as of December 31, 2015.

San Dimas Mine

The impairment test for the San Dimas mine was based on the updated life-of-mine plan, which incorporated updated reserves and resources, discount rate factors to account for the underlying risks and management's view of the exploration potential of the mine site. The resulting non-cash impairment charge for the San Dimas mine was driven by decrease in reserves, revisions in the mining cut-off methodology and the application of higher discount rates in the net present value of future estimated cash flows.

Black Fox Complex

The impairment test for the Black Fox Complex was based on the the updated life-of-mine plan. In 2016, the resulting non-cash impairment charge for the Black Fox Complex derived from decreases in reserves and shortened mine life. In 2015, the non-cash impairment charge was related to declining metal prices, the decision to temporarily defer Grey Fox development and changes in the Black Fox mine plan to focus primarily on higher grade underground ore.

Sensitivities

The impairment charges are highly sensitive to discount rates, gold prices and foreign exchange rates used in the cash flow projection. The table below summarizes the impact on the recognized impairment charges with all the variables held constant except as follows:

		San Dimas Mine	**Black Fox Complex**	
		2016	**2016**	2015
Discount rate	+/-1%	**$ 29,000**	**$ 2,000**	$ 12,000
Gold price	+/-10%	**$ 88,000**	**$ 39,000**	$ 70,000
Foreign exchange				
MXN	+/-10%	**$ 46,000**	**n.a.**	n.a.
CAD	+/-10%	**n.a.**	**$ 37,000**	$ 55,000

Cerro del Gallo Project

In 2015, the Company decided not to construct the project under the current economic environment and as such the CGU was reclassified as an exploration and evaluation asset. The commercial viability of this project will depend on market conditions. The impairment value of $22 million in 2015 was as a result of a lower market value per gold ounce and low cash flows projections. The Company used a $25 market value per gold ounce determined based on market comparable transactions.

As required under the relevant financial reporting framework, as at December 31, 2016 management conducted an assessment to determine whether any impairment indicators existed in relation to the Cerro del Gallo project. No such indicators were identified.

6. Revenue

Revenue is comprised of the following sales:

		2016		2015
Gold	**$**	**193,077**	$	247,819
Silver		**26,099**		43,485
	$	**219,176**	$	291,304

a) Silver Purchase Agreement

The silver purchase agreement provides that for the life of the mine, the first 6.0 million ounces of silver produced per annum by the San Dimas mine, plus 50% of the excess silver produced above this amount, must be sold to Silver Wheaton Caymans (SWC) at the lesser of $4.26 per ounce (adjusted by 1% per year) and market prices. All silver not sold to SWC is available to be sold by the Company at market prices.

The expected cash flows associated with the sale of the silver to SWC at a price lower than market price were reflected in the fair value of the mining interest recorded upon acquisition of the San Dimas mine. The Company presented the value of any expected future cash flows from the sale of any future silver production to SWC as part of the mining interest, as the Company did not receive any of the upfront payment which was made by Silver Wheaton Corp. to acquire its interest in the silver production of the San Dimas mine.

The contract year for purposes of the threshold runs from August 6 of a year to August 5 of the following year. The 6.0 million ounces production threshold for the year ended August 5, 2016 was met in July 2016 and the production threshold for the year ended August 5, 2015 was met in July 2015. During the year ended December 31, 2016, the Company sold 0.2 million ounces of silver at market prices for revenue of $3.0 million (2015 – 0.8 million ounces for $12.7 million in revenue).

b) Gold Purchase Agreement

As part of the acquisition of Brigus, the Company assumed a gold purchase agreement related to the Black Fox Mine. Under the agreement, the Company is obligated to sell 8% of the future gold production at the Black Fox mine and 6.3% at the adjoining Pike River property (Black Fox Extension) to Sandstorm.

The Company presented the value of any expected future cash flows from the sale of any future gold production to Sandstorm as part of the mining interest on acquisition, as the Company did not receive any of the upfront payment which was made by Sandstorm to acquire its interest in the gold production from Black Fox and Pike River.

During the year ended December 31, 2016, the Company recorded revenue of $2.7 million (2015 - $3.0 million) under the contract terms.

7. General and administrative expenses

General and administrative expenses comprise the following:

		2016		2015
Salaries and wages	$	6,673	$	11,130
Rent and office costs		836		1,232
Legal, accounting, consulting and professional fees		2,547		3,672
Directors fees and expenses		1,238		922
Other general and administrative expenses		3,508		3,088
	$	14,802	$	20,044

8. Other charges

Other charges comprise the following:

		2016		2015
Legal expenses associated with proceedings in Mexico	$	3,254	$	694
Office closure costs and severance payments		1,171		2,008
Government charges		300		-
	$	4,725	$	2,702

9. Transaction costs

Transaction costs comprise the following:

		2016		2015
Transaction costs relating to:				
Issuance of common share purchase warrants	$	232	$	-
5.75% convertible debenture offering		-		3,651
Other expenses		982		765
	$	1,214	$	4,416

10. Interest and finance expenses

Interest and finance expenses comprise the following:

		2016		2015
Interest expenses				
Interest on 5.75% convertible debentures	$	4,313	$	3,381
Interest on 6.5% convertible debentures		775		3,123
Interest on revolving credit facility		1,577		925
		6,665		7,429
Finance expenses				
Accretion on 6.5% convertible debentures	$	365	$	1,436
Accretion on asset retirement obligation		1,043		1,122
Amortization of revolving credit facility transaction costs		870		877
Others		356		650
		2,634		4,085
	$	9,299	$	11,514

11. Other income (loss)

	2016		2015
Foreign exchange gain (loss)	($664)	$	126
Gain on derivative liability	5		1,478
Finance income	88		229
Other	-		(809)
	($571)	$	1,024

12. Income Taxes

a) Tax expense (recovery)

		2016		2015
Current income tax expense	$	1,089	$	23,365
Deferred income tax expense (recovery)		(22,553)		(2,968)
Income tax expense (recovery)		($21,464)	$	20,397

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings from continuing operations before taxes. These differences result from the following items:

	2016	2015
Loss before income taxes	**($255,884)**	($86,513)
Canadian federal and provincial income tax rate	**26.5%**	26.5%
Expected income tax expense (recovery)	**(67,809)**	(22,926)
(Increase) decrease attributable to:		
Effect of different foreign statutory rates on earnings of subsidiaries	**(2,930)**	1,502
Share-based payments	**1,986**	1,882
Amounts allowable for tax purposes	**(9,291)**	(9,704)
Impact of foreign exchange and inflation	**27,180**	24,595
With holding taxes on intercompany interest	**3,308**	3,932
Royalty taxes in Mexico	**115**	769
Flow through share renunciation	**266**	415
Impairment of mining interest	**23,422**	20,439
Benefit of tax losses and temporary differences not recognized	**2,289**	(507)
Income tax expense (recovery)	**($21,464)**	$ 20,397

b) Deferred tax liabilities and assets

The significant components of the Company's deferred tax liabilities and assets are as follows:

		2016		2015
Deferred tax assets				
Non-capital losses	**$**	**8,183**	$	4,684
Decommissioning liability to be recovered		**1,315**		1,931
Deduction for Mexican royalty taxes		**9,565**		12,280
Accruals and other		**2,338**		5,149
	$	**21,401**	$	24,044
Deferred tax liability				
Mining interests		**(46,066)**		($73,370)
Net deferred taxliability		**($24,665)**		($49,326)

A reconciliation of net deferred tax liability to the amounts presented in the consolidated statements of financial position follows:

		2016		2015
Deferred tax asset	**$**	**3,763**	$	3,781
Deferred tax liability		**28,428**		53,107
Net deferred taxliability	**$**	**24,665**	$	49,326

The movement in deferred income tax balances is explained as follows:

	2016	2015
As at January 1	**($49,326)**	($49,763)
Deferred tax (expense) / recovery	**22,553**	2,968
Flow through share premium credit charged to deferred tax expense	**(1,200)**	(1,728)
Withholding expense accrued as tax payable	**3,308**	3,932
Warrant expiry	**-**	(4,735)
As at December 31	**($24,665)**	($49,326)

Based on taxable income discounted cash flow models for each of the Company's mines, the Company believes that it is probable that the results of future operations will generate sufficient taxable income to realize the above noted deferred tax assets. Of the Company's total deferred tax liability of $28.4 million (2015 - $53.1 million), $5.2 million (2015 - $10.2 million) is expected to reversed within twelve months of the statement of financial position date and the remainder after twelve months of the statement of financial position date.

The Company has total unused Canadian losses of $221.0 million (2015 - $212.7 million) that are available to be applied against future taxable income. These losses expire from 2025 to 2036. Of these losses, $132 million (2015 - $128 million) are restricted to use only against income from the same or similar business that created these losses. The Company also has losses of $22.5 million (2015 - $29.9 million), of which $4.7 million (2015 - $14.0 million) expire in 2017 and 2018, and the rest in 2019 through 2026, relating to entities that have a history of losses, and may not be used to offset taxes in other entities.

The Company has $194.0 million (2015 - $172.0 million) in Canadian resource tax pools which do not expire and can be utilized to shelter future income earned from the Black Fox Complex.

Deductible temporary differences, unused tax losses and their tax effect for which no deferred tax assets have been recognized are attributable to the following:

	Temporary Differences		**Tax effect**	
	2016	2015	**2016**	2015
Non-capital losses	**$ 203,529**	$ 213,586	**$ 51,885**	$ 54,779
Capital losses	**2,555**	3,149	**339**	417
Share issuance costs	**5,906**	6,137	**1,565**	1,620
Accrued liabilities and other	**1,138**	3,708	**302**	936
Resource and equipment tax pools	**162,143**	37,164	**44,442**	9,291
Ontario mining tax	**122,796**	17,224	**10,438**	1,464
	$ 498,067	$ 280,968	**$ 108,971**	$ 68,507

The aggregate amount of taxable temporary differences associated with investments in subsidiaries for which deferred taxes have not been recognized, as at December 31, 2016 is $120.5 million.

c) Challenge to the 2012 APA

Overview

In February 2016 the Mexican tax authority, the SAT, initiated a proceeding seeking to nullify the APA which it issued to the Company in 2012. The APA confirmed the Company's basis for paying taxes on the price it realized for certain silver sales between 2010 to 2014. If the SAT's challenge is successful it is likely to have a material adverse effect on the Company's business, financial condition and results of operations.

Background

In 2004, affiliates of Goldcorp Inc. (Goldcorp) entered into a Silver Purchase Agreement with Silver Wheaton in connection with the San Dimas mine and two other mines in Mexico. Under the Silver Purchase Agreement, Goldcorp received cash and securities in exchange for an obligation to sell the amount of silver extracted from the mines at a price set forth in the Silver Purchase Agreement. In order to satisfy its obligations under the Silver Purchase Agreement, sales were made by Goldcorp through a non-Mexican subsidiary to a Silver Wheaton's subsidiary in the Cayman Islands. Upon Primero's acquisition of the San Dimas Mine, the Silver Purchase Agreement was amended and restated and Primero assumed all of Goldcorp's obligations with respect to the San Dimas concession under the Silver Purchase Agreement. Primero did not receive any of the initial consideration that was paid to Goldcorp under the Silver Purchase Agreement.

As amended and restated, the provisions of the Silver Purchase Agreement require that, on a consolidated basis, the Company sell to Silver Wheaton 100% of silver produced from the San Dimas concessions during a contract year (August 6th to the following August 5th), up to 6 million ounces and 50% of silver produced thereafter, at the lower of (i) the current market price and (ii) $4.04 per ounce plus an annual increase of 1% (the PEM Realized Price). In 2016, the contract price was $4.28 (2015 - $4.24) . The price paid by Silver Wheaton under the Silver Purchase Agreement represents the total value that the Company and its affiliates receive for the sale of silver to Silver Wheaton. The Silver Purchase Agreement continues indefinitely in respect of any silver produced from the San Dimas concessions.

The specific terms of the Silver Purchase Agreement require that the Company sell the silver through one of its non-Mexican subsidiaries, STB, to Silver Wheaton's subsidiary, SWC. As a result, the Company's Mexican subsidiary that holds the San Dimas concessions, PEM, sells the required amount of silver produced from the San Dimas concessions to STB to allow it to fulfill its obligations under the Silver Purchase Agreement.

When the Company initially acquired the San Dimas mine, the sales from PEM to STB were made at the spot market price while the sales by STB to Silver Wheaton Caymans were at the contracted PEM Realized Price, which at that time was $4.04 per ounce. In order to reflect commercial realities and the effects of the Silver Purchase Agreement on the Company on a consolidated basis, PEM amended the terms of sales of silver between itself and STB and commenced to sell the amount of silver due under the Silver Purchase Agreement to STB at the PEM Realized Price. For Mexican income tax purposes PEM then recognized the revenue on these silver sales on the basis of its actual realized revenue, which was the PEM Realized Price.

APA

In order to provide the Company with stability and assurances that the SAT would accept the PEM Realized Price as the proper price to use to calculate Mexican income taxes, the Company applied for and received the APA from the SAT. The APA confirmed the PEM Realized Price would be used as the Company's basis for calculating taxes owed by the Company on the silver sold under the Silver Purchase Agreement. The Company believed that the function of an APA was to provide tax certainty and as a result made significant investments in Mexico based on that certainty. Under Mexican law, an advanced pricing agreement is valid for five years and therefore the APA represented the SAT's agreement to accept the PEM Realized Price as the basis for calculating taxes for the tax years 2010 through 2014.

Challenge to APA for 2010 – 2014 tax years

In February 2016, the SAT initiated a legal proceeding seeking to nullify the APA, however, the SAT has not identified an alternative basis in the legal claim for calculating taxes on the silver sold by PEM for which it receives the PEM Realized Price. The Company is an 'interested party' in this proceeding. If the SAT is successful in retroactively nullifying the APA, the SAT may seek to audit and reassess PEM in respect of its sales of silver in connection with the Silver Purchase Agreement for 2010 through 2014. While the amount of additional taxes that the SAT could charge PEM for the tax years 2010 through 2014 on the silver sold in connection with the Silver Purchase Agreement cannot be reasonably estimated at this time, it would likely have a material adverse effect on the Company's results of operations, financial condition and cash flows. PEM would have rights of appeal in connection with any reassessments.

The Company intends to vigorously defend the validity of the APA and has filed procedural and substantive responses to the claim. In addition, the Company intends to explore opportunities to minimize the potential impact on the Company in the event that the SAT is successful in its legal claim to nullify the APA, but there is no assurance that the Company will find or be able to implement a reasonable solution.

Primero Mining Corp.'s claim against the Mexican Government

On June 2, 2016, the Company notified the Government of Mexico that the measures taken by SAT against PEM in connection with the judicial proceeding seeking to retroactively nullify the APA, breached several provisions of Chapter 11 of the North American Free Trade Agreement (NAFTA) because these measures are arbitrary, discriminatory, unfair and inequitable. As more than 90 days have now passed since the provision of this notice, the Company has the option to commence international arbitration proceedings pursuant to Article 1119 of the NAFTA at a time of its choosing. During Q3 and Q4 2016, 2016 Primero engaged in dialogue with the Mexican Government regarding the Mexican tax authority's legal claim against the APA. The Company thus temporarily suspended its advancement of international arbitration against the Mexican Government in order to continue this dialogue.

Uncertain tax treatment for tax years following 2014

For the years ended December 31, 2016 and 2015, the Company continued to record its revenue from the sale of silver for purposes of Mexican tax accounting in a manner consistent with the APA on the basis that the applicable facts and laws have not changed. The Company's legal and financial advisors continue to believe that the Company has filed its tax returns compliant with applicable Mexican law. Given the legal challenge by the SAT against the APA for the 2010-2014 tax years, the Company currently believes it is unlikely the SAT will agree to an Advance Pricing Agreement for the 2015-2019 tax years on terms similar to the challenged APA. While the amount of additional tax that SAT could charge PEM for years following 2014 cannot be reasonably estimated at this time, to the extent the SAT determines that the appropriate price of silver sales under the Silver Purchase Agreement, for tax purposes, is significantly different from the PEM Realized Price and, while PEM would have rights of appeal in connection with any reassessments, it is likely to have a material adverse effect on the Company's business, financial condition and results of operations.

13. Loss per share

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year.

	2016	2015
Net loss attributable to shareholders		
Basic	**($234,420)**	($106,910)
Diluted	**(234,420)**	(106,910)
Weighted average number of shares		
Basic	**177,569,024**	162,340,566
Diluted	**177,569,024**	162,340,566
Basic loss per share	**($1.32)**	($0.66)
Diluted loss per share	**($1.32)**	($0.66)

For the year ended December 31, 2016, 26,928,026 common shares which are issuable from outstanding stock options, 2013 PSUs, DSUs and from the 6.5% convertible debentures and 5.75% convertible debentures (2015 – 32,143,546 common shares) were excluded from the calculation of diluted loss per share as they would be considered to be anti-dilutive.

14. Supplementary cash flow information

Changes in non-cash working capital comprise the following:

	2016	2015
Trade and other receivables	**($169)**	($638)
Value added and income taxes receivable	**1,980**	243
Prepaid expenses	**3,232**	(850)
Inventories	**6,382**	(4,318)
Trade and other payables	**(12,652)**	4,734
Other taxes payable	**(931)**	(708)
	($2,158)	($1,537)

15. Cash

a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of 90 days or less.

b) Restricted cash

At December 31, 2016, restricted cash of $4.6 million (C$6.2 million) (2015 - $5.9 million, equivalent to C$8.3 million) represented collateralized cash held for a letter of credit securing C$20.5 million of closure bonds held with the Ontario Ministry of Northern Development (OMND).

16. Inventories

		2016		2015
Current portion of inventory				
Gold and silver	**$**	**5,827**	$	10,279
Stockpiled ore		**5,285**		9,021
Work-in-progress		**5,771**		6,541
Supplies		**5,946**		6,123
		22,829		31,964
Long-term stockpile		**-**		5,694
	$	**22,829**	$	37,658

For the year ended December 31, 2016, the Company recorded inventory write downs of $1.0 million (2015 - $3.0 million) to reflect a net realizable value based on a price of $1,159 (2015 - $1,050) per ounce of gold.

17. Mining interests

	Mining properties and leases	Land and buildings	Plant, equipment and vehicles	Construction in progress	Total
Cost					
At January 1, 2015	$ 890,500	$ 68,755	$ 163,288	$ 39,703	$ 1,162,246
Additions	57,682	9,575	30,069	(3,754)	93,572
Assets derecognized	-	(132)	(1,532)	-	(1,664)
At December 31, 2015	948,182	78,198	191,825	35,949	1,254,154
Additions	55,788	8,256	30,536	(21,218)	73,362
Reclassifications	1,086	3,948	(5,279)	239	(6)
Assets derecognized	-	-	(5,021)	-	(5,021)
At December 31, 2016	**$ 1,005,056**	**$ 90,402**	**$ 212,061**	**$ 14,970**	**$ 1,322,489**
Accumulated depreciation and depletion					
At January 1, 2015	$ 223,695	$ 10,685	$ 46,386	$ -	$ 280,766
Depreciation and depletion	53,121	2,507	24,730	-	80,358
Impairment charge	79,077	3,785	21,138	-	104,000
Assets derecognized	-	(32)	(1,056)	-	(1,088)
At December 31, 2015	355,893	16,945	91,198	-	464,036
Depreciation and depletion	31,046	3,247	22,942	-	57,235
Impairment charge	228,000	-	-	-	228,000
Reclassifications	1,487	4,768	(6,261)	-	(6)
Assets derecognized	-	-	(4,696)	-	(4,696)
At December 31, 2016	**$ 616,426**	**$ 24,960**	**$ 103,183**	**$ -**	**$ 744,569**
Carrying value					
At December 31, 2015	$ 592,289	$ 61,253	$ 100,627	$ 35,949	$ 790,118
At December 31, 2016	**$ 388,630**	**$ 65,442**	**$ 108,878**	**$ 14,970**	**$ 577,920**

A summary of mining interest by property is as follows:

	Mining properties and leases	Land and buildings	Plant, equipment and vehicles	Construction in progress	**December 31 2016**	December 31 2015
San Dimas Mine	$ 283,555	$ 56,799	$ 76,069	$ 11,828	**$ 428,251**	$ 541,988
Black Fox Complex	45,365	4,719	32,454	3,142	**85,680**	184,485
Cerro Del Gallo Project	59,710	3,924	25	-	**63,659**	63,232
Corporate	-	-	330	-	**330**	413
Total	$ 388,630	$ 65,442	$ 108,878	$ 14,970	**$ 577,920**	$ 790,118

All property of the San Dimas mine is pledged as security for the Company's obligations under the silver purchase agreement and certain assets of the Black Fox Complex are pledged as security for the gold purchase agreement (Note 7(b)). Substantially all of the Company's assets are pledged as security under the revolving credit facility (Note 19(d)).

The carrying value of property, plant and equipment under finance leases at December 31, 2016 was $8.0 million (December 31, 2015 - $10.1 million). The lessors hold first security rights over the leased assets which include trucks, loaders, scoops, drills and other heavy equipment.

During the year ended December 31, 2016, PEM acquired additional concessions adjacent to its San Dimas mine. See note 21(a) for related discussion.

The basis for calculating the depletion expense is described in Note 2, " *Basis of preparation and* s *ignificant accounting policies"*. The following table gives further details of the depletion calculation:

	San Dimas				Black Fox			
	2016		2015		**2016**		2015	
	$	**oz**	$	oz	**$**	**oz**	$	oz
Depletable pools	**$ 314,600**	**1.4 million**	$ 309,300	1.4 million	**$ 29,200**	**0.2 million**	$ 42,300	0.3 million
Non-depletable pools	**44,200**		99,100		**89,700**		83,400	

Future development costs included in the depletion calculation were $57.0 million (2015- $57.0 million) Depletion expense for the year ended December 31, 2016 was $31.4 million (2015 - $52.1 million). Had the depletion expense been calculated without inclusion of inferred resources and, where applicable, related future development costs, the depletion expense would have been $27.4 million (2015 - $46.0 million).

Depreciation and depletion expense for the year ended December 31, 2016 was $57.2 million (2015 - $80.4 million), of which $6.1 million represents the non cash component in the inventories balance in the year ended December 31, 2016 (2015 – $3.2 million).

18. Debt

	December 31 2016	December 31 2015
Current debt		
6.50% convertible debentures [(a)]	**$ -**	$ 47,751
Revolving credit facility [(b)]	**49,639**	-
Finance lease liabilities [(c)]	**1,202**	4,666
	50,841	52,417
Long-term debt		
5.75% convertible debentures [(d)]	**$ 52,500**	$ 61,500
Finance lease liabilities [(c)]	**406**	1,227
	52,906	62,727
	$ 103,747	$ 115,144

(a) During 2014 as part of the acquisition of Brigus, the Company assumed $50 million of senior unsecured debentures ($48.1 million after investors holding $1.9 million of the debentures accepted the change of control offer made by the Company). The debentures bore interest at 6.5% per annum payable semi-annually in arrears on March 31 and September 30 of each year. These debentures were repaid in cash upon maturity on March 31, 2016. Accretion relating to the debentures for the the year ended December 31, 2016 was $0.4 million (2015 - $1.4 million).

(b) The Company has a $75 million revolving credit facility available until May 23, 2017, which bears interest at a floating interest rate equal to LIBOR or the prime rate of Canada or the bankers' acceptance rate (depending on the choice of credit availment by the Company) plus an applicable margin. The Company drew down $50 million under the revolving credit facility to repay the 6.5% convertible debentures (note 19(a)). Unamortized transaction costs of $0.4 million have been netted against the drawn amount resulting in a carrying value of $49.6 million at December 31, 2016. The revolving credit facility is secured by substantially all of the Company's assets and contains customary covenants and default clauses typical to this type of facility. As at December 31, 2016 the Company was in compliance with all debt covenants (see further discussion in note 21).

(c) The Company is obligated under various finance leases for equipment as well as a milling facility at the Black Fox Complex. All finance lease agreements provide that the Company can purchase the leased equipment at the end of the lease term for a nominal amount. Interest payable on the various leases range from a fixed rate of 4.75% to 6.60% . The are no restrictions placed on the Company as a result of these leases, however, the lessors hold first security rights over the leased assets.

(d) On February 9, 2015, the Company issued $75 million of 5.75% convertible unsecured subordinated debentures (the 5.75% convertible debentures) maturing on February 28, 2020. The 5.75% Debentures bear interest at a rate of 5.75% per annum, payable in U.S. dollars semi-annually on August 28 and February 28 each year, commencing on August 28, 2015. The 5.75% convertible debentures are convertible into the Company's common shares at a conversion price of approximately $6.55 per share, representing a conversion rate of 152.6718 common shares per $1,000 principal amount of the debentures. Upon conversion, holders will be entitled to receive accrued and unpaid interest up to, but excluding, the date of conversion.

The 5.75% convertible debentures are not redeemable prior to February 28, 2018. On and after February 28, 2018 and prior to February 28, 2020, the 5.75% convertible debentures may be redeemed by the Company, in whole or in part from time to time, on not more than 60 days and not less than 30 days prior notice, at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided the simple average of the daily volume-weighted average trading price of the common shares on the New York Stock Exchange for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is provided is at least 125% of the conversion price.

In accordance with IAS 39, *Financial Instruments: Recognition and Measurement* , the 5.75% convertible debentures are considered to contain embedded derivatives relating to the conversion and redemption options. The Company has elected to classify the convertible debenture as a financial instrument measured at fair value for reporting purposes given that the debentures contain multiple embedded derivatives. Fair value changes are recorded through the statement of operations and comprehensive income (loss). Transaction costs associated with the debentures of $3.7 million were expensed during the year ended December 31, 2015.

19. Decommissioning liability

The decommissioning liability consists of reclamation and closure costs for the San Dimas mine and the Black Fox Complex. The undiscounted cash flow amount of the total obligation was $59.6 million at December 31, 2016 (2015 - $52.1 million) and the present value of the obligation was estimated at $29.8 million (2015- $28.3 million).

	San Dimas	Black Fox	Total
Decommissioning liability, January 1, 2015	$ 9,390	$ 23,176	**$ 32,566**
Accretion expense	1,471	(349)	**1,122**
Foreign exchange and other adjustments	(1,537)	(3,857)	**(5,394)**
At December 31, 2015	9,324	18,970	**28,294**
Accretion expense	723	320	**1,043**
Change in estimated timing of cash flows	1,295	69	**1,364**
Foreign exchange and other adjustments	(1,462)	551	**(911)**
At December 31, 2016	$ 9,880	$ 19,910	**$ 29,790**

The discount rates used by the Company in 2016 and 2015 are based on prevailing risk-free pre-tax rates in Mexico and Canada, respectively, for periods of time which coincide with the period over which the decommissioning costs are discounted. The following table summarizes the assumptions used in provision for the years ended December 31, 2016 and 2015:

	Expected years	Discount rate	Inflation rate
2016			
San Dimas	17 yrs	7.75%	3.40%
Black Fox Complex	5 yrs	2.34%	2.00%
2015			
San Dimas	22 yrs	7.50%	3.00%
Black Fox Complex	11yrs	2.00%	2.00%

20. Shareholders' equity

a) Share capital

The authorized share capital consists of unlimited common shares without par value and unlimited preferred shares, issuable in series with special rights and restrictions attached.

On June 9, 2016, PEM completed an acquisition of certain concessions adjacent to its San Dimas mine. The consideration comprised a cash payment of $1.0 million (of which $0.92 million has been paid as of December 31, 2016) and the issuance of 2,010,050 of Primero's common shares. 1,854,271 common shares were issued as of December 31, 2016, with the remaining 155,779 common shares expected to be issued. The price per common share was $1.91 based on the NYSE trading price at the closing date. The Company has recognized an equity reserve in shareholders' equity for the unissued common shares for concessions that have not yet been transferred.

On June 24, 2016, the Company completed a public equity offering, raising gross proceeds of $40.0 million (C$51.8 million) through the issuance of 22,022,500 units (Unit) of the Company at a price of C$2.35 per Unit (the equity offering). Each Unit consists of one common share of Primero and one-half of one common share purchase warrant (each whole common share purchase warrant is a "Warrant") of the Company. Each whole Warrant entitles the holder to acquire one common share of the Company at a price of C$3.35 per Common share until June 25, 2018.

Out of the gross proceeds from the equity offering, $4.7 million was allocated to the common share purchase warrants based on their fair value determined using the trading price at the date of closing of the transaction, and the remaining $35.3 million was allocated to the common shares and recorded as share capital. The common share purchase warrants are classified as a financial liability in the statement of financial position. Fair value changes of the common share purchase warrants are recognized in the statement of operations and comprehensive income (loss).

Transaction costs relating to the equity offering amounted to $2.5 million, of which $0.2 million was allocated to the common share purchase warrants and was recognized as an expense in the statement of operations and comprehensive income (loss) for the year ended December 31, 2016. The balance of $2.3 million was allocated to share capital.

In December 2015, the Company received $4.3 million (net of transaction costs) from the issuance of 1,366,768 flow-through shares to be used to fund the exploration at the Froome Zone within the Black Fox Complex. The proceeds were fully spent during 2016.

b) Warrants

As at January 1, 2015, the Company had 20.8 million warrants outstanding which were exercisable to purchase 20.8 million common shares at a price of C$8.00 until July 20, 2015. On July 21, 2015, these warrants expired unexercised. Accordingly, the carrying value of $34.8 million was reclassified to contributed surplus net of income taxes on the expired warrants of $4.7 million.

c) Share-based compensation

The movement in contributed surplus and phantom share liability related to share-based compensation during the years ended December 31, 2016 and 2015 are as follows:

	Contributed Surplus					
	2013 Plan PSUs	Stock options	Deferred share units	Others	Total	Phantom share liability
At January 1, 2015	$ 3,020	$ 18,539	$ -	($33)	$ 21,526	$ 4,037
Exercise of stock options	-	(294)	-	-	(294)	-
PSUs settled in shares	(4,404)	-	-	-	(4,404)	-
PSUs settled in cash	-	-	-	-	-	(4,205)
Expiry of warrants	-	-	-	30,046	30,046	-
Share-based compensation expense	5,769	1,964	377	-	8,110	829
At December 31, 2015	$ 4,385	$ 20,209	$ 377	$ 30,013	$ 54,984	$ 661
PSUs settled in shares	(4,851)	-	-	-	(4,851)	(110)
PSUs settled in cash	-	-	-	-	-	(377)
Share-based compensation expense	6,420	1,897	407	-	8,724	(131)
At December 31, 2016	**$ 5,954**	**$ 22,106**	**$ 784**	**$ 30,013**	**$ 58,857**	**$ 43**

Share-based compensation of $1.5 million is included in operating expenses for the year ended December 31, 2016 (2015 - $1.8 million).

(i) Stock options

Under the Company's stock option plan (the Plan), the number of common shares that may be issued on the exercise of options granted under the Plan is equal to 10% of the issued and outstanding shares of the Company at the time an option is granted (less any common shares reserved for issuance under other share compensation arrangements).

A summary of the Company's stock option activities for the year ended December 31, 2016 and the year ended December 31, 2015 is presented below.

	Options outstanding	**Weighted average exercise price**
Outstanding at January 1, 2015	9,254,224	C$6.17
Granted	1,617,870	4.23
Exercised	(300,000)	3.47
Cancelled	(71,875)	5.68
Expired	(6,254,021)	6.17
Outstanding at December 31, 2015	4,246,198	C$5.70
Granted	2,782,317	2.68
Cancelled/Forfeited	(3,500)	4.52
Expired	(499,771)	8.78
Outstanding at December 31, 2016	**6,525,244**	**C$4.17**

The following table summarizes the weighted average assumptions used in the Black-Scholes valuation model for the determination of the cost of stock options issued during the year ended December 31, 2016 and 2015.

	2016	2015
Risk free interest rate	**0.55%**	0.95%
Expected life in years	**3.50**	3.50
Volatility	**63.92%**	59.27%
Expected dividends	**0.00%**	0.00%
Forfeiture rate	**5.00%**	5.00%
Weighted average fair value of options issued	**C$0.80**	C$1.73

As at December 31, 2016, the following stock options were outstanding and exercisable:

	Awards Outstanding			**Awards Exercisable**		
Range of exercise price per share	Quantity	Remaining contractual life (in years)	Weighted average exercise price	Quantity	Remaining contractual life (in years)	Weighted average exercise price
C$1.36-C$3.00	3,017,317	3.83	C$2.68	745,781	2.30	C$2.86
C$3.01-C$6.00	2,294,666	2.64	4.50	1,747,854	2.47	4.57
C$6.01-C$10.00	1,197,833	1.32	7.15	1,122,007	1.26	7.13
C$10.01-C$15.00	6,242	2.42	13.75	6,242	2.42	13.75
C$15.01-C$20.29	9,186	0.48	18.44	9,186	0.48	18.44
	6,525,244	**2.94**	**C$4.17**	**3,631,070**	**2.06**	**C$5.06**

(ii) Phantom Share Unit Plan (PSUP) and Directors PSU Plan (Directors PSUP)

PSUP is a cash-settled plan. The amount to be paid for vested units is based on the volume weighted average price per share of the Company traded on the Toronto Stock Exchange over the last twenty trading days preceding the vesting date.

A person holding Director PSUs is entitled to elect to receive at vesting, either a cash amount equal to the number of Directors' PSUs that vest multiplied by the volume weighted average trading price per common share over the five preceding trading days, or the number of common shares equal to the number of Directors' PSUs. If no election is made, the Company will pay out such Directors' PSUs in cash.

A summary of the unit activity for the year ended December 31, 2016 and 2015 under the PSUP and the Directors PSUP is presented below.

	Directors PSUP December 31		PSUP December 31	
	2016	2015	**2016**	2015
Opening balance	**211,371**	186,063	**233,577**	1,329,080
Redeemed	**(136,744)**	(198,575)	**(189,961)**	(1,088,066)
Granted	**-**	223,883	**-**	-
Cancelled	**-**	-	**(3,896)**	(7,437)
	74,627	211,371	**39,720**	233,577

Units issued under the PSUP and Directors PSUP are accounted for as cash-settled awards. All of the units issued under the PSUP and Directors PSUP have been measured at the reporting date using their fair values. The total amount recognized in the statement of operations and comprehensive income (loss) during the the year ended December 31, 2016 in relation to the PSUP and Directors PSUP was a recovery of $0.1 million (2015 – $0.8 million expense) recognized under general and administrative expenses. The total liability recognized at December 31, 2016 in respect of the PSUP and Directors PSUP was less than $0.1 million (December 31, 2015 - $0.7 million) which is classified as a current liability, reported within trade and other payables. None of these cash-settled units were vested at December 31, 2016, but all remain outstanding.

(iii) 2013 PSU Plan (2013 PSUP)

A person holding PSUs issued under this plan is entitled to receive, at vesting either a cash amount equal to the number of 2013 PSUs that vest multiplied by the volume weighted average trading price per common share over the five preceding trading days, or the number of common shares equal to the number of PSUs, or a combination of cash and equity. The choice of settlement is solely at the Company's discretion.

A summary of the unit activity for the year ended December 31, 2016 and 2015 under the 2013 PSUP is presented below.

	December 31 2016	December 31 2015
Opening balance	**2,088,902**	1,152,464
Redeemed	**(1,324,092)**	(958,515)
Granted	**4,046,139**	1,960,463
Cancelled	**(140,845)**	(65,510)
	4,670,104	2,088,902

The 2013 PSUP is accounted for as an equity-settled plan. All of the outstanding units have been measured at the reporting date using their grant date fair value, calculated as the grant date closing price of Primero shares on the TSX. The total amount of expense recognized in the statement of operations and comprehensive income (loss) for the year ended December 31, 2016 in relation to the 2013 PSUP was $4.9 million (2015 - $6.8 million).

(iv) Deferred share units

A person holding deferred share units (DSUs) under this plan is entitled to receive at vesting, either a cash payment equal to the redemption value of the DSUs, shares issued from treasury equal to the number of DSUs, shares purchased on the stock exchange, or any combination of these, such that the cash payment plus number of shares delivered have a value equal to the redemption value of the DSUs. The choice of settlement is solely at the Company's discretion.

The redemption value is calculated by the number of DSUs redeemed multiplied by the weighted average price per share traded on the TSX over the last five trading days preceding the redemption date.

As at December 31, 2016, a total of 315,790 DSUs were issued and outstanding. The DSUP is accounted for as an equity-settled plan. All of the outstanding units have been measured at the reporting date using their grant date fair value, calculated based on the grant date closing price of Primero shares on the TSX. The total amount of expense recognized in the statements of operations and comprehensive income (loss) for the year ended December 31, 2016 was $0.4 million (2015 - $0.4 million).

21. Capital management

The Company's objectives in managing capital are to:

- ensure the Company has the financial capacity to support its operations in a low gold price environment;
- ensure the Company has the capital and capacity to support its long-term growth strategy;
- ensure the Company complies with its debt covenants; and
- provide returns for shareholders and benefits for other stakeholders.

The Company's capital items are the following:

		December 31 2016		December 31 2015
Cash and cash equivalents	**$**	**19,875**	$	45,601
Undrawn revolving credit facility (Note 18)		**25,000**		75,000
Current debt		**50,841**		52,417
Long-term debt		**52,906**		62,727
Shareholders' equity		**461,130**		648,876

The Company has $25.0 million remaining undrawn balance in its revolving credit facility. Further drawdowns from the facility are subject to the lenders' approval. The Company is not anticipating drawing down the remaining balance since it has entered into a term sheet with Sprott with the intention to refinance such facility.

To support the Company's capital management objectives, the Company manages its capital structure and makes adjustments to it within the context of the Company's strategy, economic conditions and risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue shares, adjust the amount of debt or enter into new debt. The Company does not currently pay out dividends.

Several key policy guidelines are used to manage the Company's capital structure:

- ensure that there is sufficient cash to meet its liabilities when they are due;
- evaluate its financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner;
- maintain a liquidity cushion to address operational and/or industry disruptions or downturns; and
- maintain a conservative level of debt relative to total capital and earnings within the context of financial forecasts for pricing, costs and production.

In February 2017 the Company entered into a term sheet with Sprott for a $75 million three year term loan to replace its existing revolving credit facility, due to mature on May 23, 2017. The term sheet is subject to execution of definitive transaction documents, all regulatory and other third party approvals and satisfaction of other customary conditions precedent. Although the Company believes that definitive agreements with Sprott will be finalized, there can be no assurance that the Company's efforts to obtain financing from Sprott or others will be successful. (see note 2(b)).

Pursuant to the terms of the revolving credit facility, the Company is required to maintain the following financial covenants:

Covenant	Requirement		As at December 31,2016
Tangible net worth (in $ millions) [1]	=/> $340	$	461
Net debt leverage ratio [2]	=/< 4.25:1		3.1:1
Senior net debt leverage ratio [3]	=/< 2.5:1		1.9:1
Interest coverage ratio [4]	=/> 4.5:1		6.8:1

1 Tangible net worth represents equity less goodwill and other intangible assets. The amended credit agreement requires the Company to maintain an amount greater than or equal to the greater of $586 million, less an amount equal to 115% of the impairment charge in respect of its fixed assets for the year ended December 31, 2016; and $340 million plus (in either case) 50% of the aggregate positive Net Income from January 1, 2017.

2 Net debt leverage ratio represents total liabilities, less trade payables incurred in the ordinary course of business less unrestricted cash divided by rolling 4 quarter EBITDA, as defined in the credit agreement. The required ratio of 4.25 to 1 applies to the quarter ended December 31, 2016. Effective January 1, 2017, the required quarterly ratio is 3.50 to 1.

3 Senior net debt leverage ratio represents that portion of net debt that ranks pari passu with or in priority to the revolving credit facility divided by rolling 4 quarter EBITDA, as defined in the credit agreement. The required ratio of 2.50 to 1 applies to the quarter ended December 31, 2016. Effective January 1, 2017, the required quarterly ratio is 2.0 to 1.

4 Interest coverage ratio represents earnings before interest, depreciation and amortization, as defined in the credit agreement divided by interest expense.

As at December 31, 2016, the Company was compliant with these covenants. The Company closely monitors compliance to these covenants, as a breach of a covenant would be considered an event of default under the revolving credit agreement which, if not addressed, would entitle the lenders to make the borrowings under the revolving credit facility immediately due and payable and also causing borrowings under the 5.75% convertible debentures to become immediately due and payable. Being able to remain in compliance with the covenants is dependent upon many factors including, but not limited to, commodity prices, exchange rates, and levels of gold production. Adverse changes in one or more of these factors could negatively impact the Company’s ability to remain in compliance.

22. Financial instruments

The Company's financial instruments at December 31, 2016 consist of cash, restricted cash, trade and other receivables, an equity investment in Fortune Bay, trade and other payables, and debt.

At December 31, 2016, the carrying amounts of cash and cash equivalents, restricted cash and cash equivalents, trade and other receivables, and trade and other payables are considered to be a reasonable approximation of their fair values due to their short-term nature.

The Company's equity investment in Fortune Bay is designated as available for sale and is carried at fair value. Any unrealized gains on available for sale assets are recognized in OCI. Cumulative losses recorded under Accumulated Other Comprehensive Loss are reclassified from equity to the statement of operations and comprehensive income (loss) when there is objective evidence that the asset is impaired. Once an impairment is recognized, all subsequent losses are recognized in the statement of operations until the asset is derecognized. During the year ended December 31, 2016, the Company recorded an impairment loss of $nil (2015 – impairment of $0.6 million) in the statement of operations and comprehensive income (loss) and an unrealized gain of $1.1 million in Accumulated Other Comprehensive Loss relating to its investment in Fortune Bay. Fortune Bay is a publicly-listed company and the fair value is based on the trading price of its shares as at the date of the statement of financial position.

Derivative instruments - Embedded derivatives

Financial instruments and non-financial contracts may contain embedded derivatives, which are required to be accounted for separately at fair value as derivatives when the risks and characteristics of the embedded derivatives are not closely related to those of their host contract and the host contract is not carried at fair value. The Company regularly assesses its financial instruments and non-financial contracts to ensure that any embedded derivatives are accounted for in accordance with its policy. There were no material embedded derivatives requiring separate accounting at December 31, 2016 or December 31, 2015, other than those discussed below.

The convertible debentures assumed with the acquisition of Brigus (Note 18 (a)) were considered to contain an embedded derivative liability which was initially recognized at fair value using an option pricing model, and was subsequently measured at fair value each period during the term of the debentures. During the year ended December 31, 2016, an unrealized derivative gain of $nil (2015 –$1.5 million) was recognized in relation to this derivative liability.

The 5.75% convertible debentures issued by the Company on February 9, 2015 (Note 18 (d)) are considered to contain multiple embedded derivatives. These debentures and all related derivatives were accounted for as one instrument which was initially recognized at fair value and will subsequently be measured at fair value for each period during the term of the debentures. During the year ended December 31, 2016, a mark to market gain of $9.0 million (2015 - $13.5 million) was recognized in relation to the debentures.

The common share purchase warrants issued by the Company on June 24, 2016 (Note 20 (a)) are considered derivative liabilities and were initially recognized at fair value and are subsequently measured at fair value during the term of the warrants. During the year ended December 31, 2016, a mark-to-market gain of $3.6 million (2015 - $nil) was recognized in relation to the common share purchase warrants.

Fair value measurements of financial assets and liabilities recognized on the Consolidated Statements of Financial Position

The categories of the fair value hierarchy that reflect the significance of inputs used in making fair value measurements are as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data.

The levels in the fair value hierarchy that the Company's financial assets and liabilities that are measured and recognized at fair value on a recurring basis are as follows:

Level 1		**December 31 2016**		December 31 2015
Investment in Fortune Bay [1]	**$**	**1,160**	$	525
5.75% convertible debentures [2]		**52,500**		61,500
Warrant liability [2]		**1,066**		**-**

(1) Fortune Bay is a publicly-listed company and the fair value is based on the trading price of its shares as at the date of the statement of financial position.
(2) The fair value of the 5.75% convertible debentures and the warrant liability are calculated using the respective market prices on the TSX Exchange as at the date of the statement of financial position.

At December 31, 2016, there were no financial assets or liabilities measured and recognized on the consolidated statements of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy (December 31, 2015 – $nil).

The following describes the types of financial instrument risks to which the Company is exposed and its objectives and policies for managing those risk exposures:

a) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Credit risk is primarily associated with trade and other receivables; however, it also arises on cash and cash equivalents and restricted cash. To mitigate exposure to credit risk on financial assets, the Company ensures non-related counterparties demonstrate minimum acceptable credit worthiness and ensures liquidity of available funds.

The Company closely monitors its financial assets and does not have any significant concentration of credit risk with non-related parties. The Company invests its cash and cash equivalents in highly rated financial institutions and sells its products exclusively to organizations with strong credit ratings. The credit risk associated with trade receivables at December 31, 2016 is considered to be negligible. There are 14 months of value added tax outstanding from the Mexican tax authorities (included in current and non-current taxes receivable below), which the Company expects to be refunded or be offset against future income tax payments.

The Company's maximum exposure to credit risk at December 31, 2016 and 2015 is as follows:

		2016		2015
Cash and restricted cash	**$**	**24,452**	$	51,521
Trade and other receivables		**1,962**		1,793
Current and non-current taxes receivable		**41,838**		30,689
	$	**68,252**	$	84,003

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objectives and key guidelines for capital management, including management of long-term debt, are described in note 21. Further considerations in our liquidity risk are described in note 12(c).

The Company expects to discharge its commitments as they come due from its existing cash balances, cash flow from operations, collection of receivables, draw down of its revolving credit facility and new borrowings.

The table below shows the Company's liquidity risk profile at December 31, 2016:

(in thousands of U.S. dollars)		Within 1 year		2-5 years		**Total**
Cash and cash equivalents	$	19,875	$	-	**$**	**19,875**
Trade and other payables		(31,781)		-		**(31,781)**
Revolving credit facility balance and interest		(50,811)		-		**(50,811)**
Finance lease liabilities		(1,202)		(406)		**(1,608)**
5.75% Convertible debentures and interest		(4,313)		(84,322)		**(88,635)**
Total		($68,232)		($84,728)		**($152,960)**

Refer to note 1(b) for the Company's plans to address liquidity risk associated with the current working capital deficiency. The Company has entered into commercial leases on certain types of equipment and office space which have been classified as operating leases. These leases have terms of between 1 and 6 years. There are no restrictions placed on the Company as a result of entering into these leases. Some of the leases contain renewal or purchase options at the end of the lease. The total operating lease expense during the year ended December 31, 2016 was $0.8 million (2015 - $1.2 million).

c) Market risk

(i) Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. Exchange rate fluctuations may affect the costs incurred in the Company's operations. Gold is sold in US dollars and costs are incurred principally in US dollars, Canadian dollars and Mexican pesos. The appreciation of the Mexican peso or the Canadian dollar against the U.S. dollar can increase the costs of gold production and capital expenditures in US dollar terms. The Company also holds cash that is denominated in Canadian dollars and Mexican pesos which are subject to currency risk. The Company's head office general and administrative expenses are mainly denominated in Canadian dollars and are translated to US dollars at the average rate during the period, and as such if the US dollar appreciates as compared to the Canadian dollar, the costs of the Company would decrease in US dollar terms. The Company is further exposed to currency risk through non-monetary assets and liabilities of its Mexican entities whose taxable profit or loss is denominated in a non-US dollar currency. Changes in exchange rates give rise to temporary differences resulting in a deferred tax liability or asset with the resulting deferred tax charged or credited to income tax expense.

During the year ended December 31, 2016, the Company recognized a loss of $1.0 million on foreign exchange (2015 – gain of $0.1 million). Based on the above net exposures at December 31, 2016, a 10% depreciation or appreciation of the Mexican peso against the U.S. dollar would result in a $1.4 million increase or decrease in the Company's before-tax net earnings (loss) (2015 - $0.03 million); and a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in a $2.7 million increase or decrease in the Company's before-tax net earnings (loss) (2015 - $1.6 million).

The Company does not currently use derivative instruments to reduce its exposure to currency risk, however, management monitors its differing currency needs and tries to reduce its exposure to currency risks through exchanging currencies at what are considered to be optimal times.

(ii) Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The exposure to interest rates is monitored. The Company's exposure to interest rate risk is limited to the revolving credit facility which is subject to a floating interest rate. An increase or decrease of 100 basis points in the interest rate would result in a decrease or increase in profit before tax of $0.02 million (assuming $50 million drawn on the line of credit).

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in commodity prices. Profitability depends on sales prices for gold and silver. Metal prices are affected by numerous factors such as the sale or purchase of gold and silver by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the U.S. dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major producing countries throughout the world.

The table below summarizes the impact on profit before tax for a 10% change in the average commodity price achieved by the Company during the year. The analysis is based on the assumption that the gold and silver prices move 10% with all other variables held constant.

		2016		2015
Gold price				
10% increase	**$**	**14,084**	$	18,091
10% decrease		**(14,084)**		(18,091)
Silver price				
10% increase	**$**	**222**	$	938
10% decrease		**(222)**		(938)

23. Related party transactions

Compensation of key management personnel of the Company

The key management personnel of the Company are considered to be all directors, the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer. Aggregate compensation recognized in respect of key management personnel of the Company including directors is as follows:

		2016		2015
Short-term employee benefits	**$**	**3,122**	$	5,198
Share-based compensation		**3,879**		2,494
Termination benefits		**1,172**		-
	$	**8,173**	$	7,692

As at December 31, 2016 $0.6 million (2015 - $1.5 million) of the short-term employee benefits were outstanding. All of the compensation of key management personnel was equivalent to that which would be incurred in an arm's length transaction.

24. Commitments and contingencies

(a) An Ejido is a communal ownership of land recognized by the federal laws in Mexico. While mineral rights are administered by the federal government through federally issued mining concessions, access to surface rights is also required for mining operations. An Ejido controls surface rights over its communal property through an assembly where each of the Ejido members has a voting right. An Ejido may sell or lease lands directly to a private entity and it may also allow individual members of the Ejido to obtain title to specific parcels of land and thus the right to sell or lease the land.

The San Dimas mine uses Ejidos' lands pursuant to written agreements with Ejidos. Some of these agreements may be subject to renegotiation and changes to the existing agreements may increase operating costs or have an impact on operations. In cases where access to land is required for operations and an agreement cannot be reached with the land owner, Primero may seek access under Mexican law which provides for priority rights for mining activities.

Three of the properties included in the San Dimas mine and for which Primero holds legal title are subject to legal proceedings commenced by Ejidos seeking title to the property. These proceedings were initiated by Ejidos against defendants who were previous owners of the properties, either deceased individuals who, according to certain public deeds, owned the properties more than 80 years ago, corporate entities that are no longer in existence, or Goldcorp companies. Some of the proceedings also name the Tayoltita Property Public Registry as co-defendant. None of the initial proceedings named Primero as a party and Primero therefore had no standing to participate in them.

In 2015, two of these proceedings were decided in favor of the Ejidos. Upon becoming aware of the decisions Primero obtained injunctions to suspend any legal effect of the decisions while the Company proceeds with a legal process to nullify the Ejidos' claim by submitting evidence of Primero's legal title. In February 2017, one of the two legal processes to nullify the Ejidos' claim was decided in favour of Primero and the decision is subject to appeal by the Ejido. The second proceeding is ongoing.

The third legal proceeding commenced by the Ejidos has not been decided and Primero remains without standing to participate therein because it was not named as a party. In the event a final decision is rendered in favour of the Ejido in that proceeding, Primero will seek to annul such decision by defending its position as the legitimate owner.

If Primero is not successful in its challenge, the San Dimas mine could face higher costs associated with agreed or mandated payments that would be payable to the Ejidos for use of the properties.

(b) The Company has agreed to indemnify its directors and officers, and the directors and officers of its subsidiaries, to the extent permitted under corporate law, against costs and damages incurred as a result of lawsuits or any other judicial, administrative or investigative proceeding in which said directors or officers are sued as a result of their services. The directors' and officers are covered by directors' and officers' liability insurance.

In July 2016, the Company and certain officers were served with a class action lawsuit that was filed earlier in the year in the State of California seeking to recover damages for investors in the Company's common shares under the U.S. federal securities laws. The Company filed a motion to dismiss this action which was granted on January 30, 2017. The plaintiff's claims were dismissed without prejudice and the plaintiffs filed an amended complaint on February 27, 2017. The Company intends to vigorously defend this class action lawsuit.

(c) As at December 31, 2016, the Company had entered into commitments to purchase plant and equipment totaling $0.5 million (December 31, 2015 - $5.7 million).

(d) Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated.

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Primero Mining Corp. ("Primero" or the "Company") should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2016. Additional information on the Company, including its Annual Information Form for the year ended December 31, 2016, which is expected to be filed by March 31, 2017, can be found under Primero's profile at www.sedar.com .

Management is responsible for the preparation of the financial statements and MD&A. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures in this MD&A are expressed in US dollars, unless stated otherwise.

This MD&A contains forward-looking statements and should be read in conjunction with the risk factors described in the "Risks and uncertainties" and "Cautionary statement on forward-looking information" sections at the end of this MD&A.

This MD&A has been prepared as of March 14, 2017.

OVERVIEW OF THE BUSINESS

Primero is a Canadian-based precious metals producer with operations in both Mexico and Canada. The Company's strategy is building a portfolio of high quality, low cost precious metals assets in the Americas through acquiring, exploring, developing and operating mineral resource properties. The Company owns two producing properties, the San Dimas gold-silver mine, located in Mexico's San Dimas district, on the border of Durango and Sinaloa states, and the Black Fox mine located in the Township of Black River-Matheson, Ontario, Canada. The Company owns properties adjacent to the Black Fox mine - Grey Fox and Pike River, which together with the Black Fox mine and the Black Fox mill, located on the Stock Mill property, comprise the Black Fox Complex.

In addition, the Company owns two exploration properties: the Cerro del Gallo gold-silver-copper project, located in the state of Guanajuato in central Mexico and Ventanas, located in Durango State, Mexico.

The profitability and operating cash flow of the Company are affected by numerous factors, including its ability to secure future financings, the amount of gold and silver produced and sold, market prices of gold and silver, operating costs, labour relations, regulatory and environmental compliance, as well as currency, interest and exchange rates, political risks, and varying levels of taxation. The Company seeks to manage these risks, but many of the factors affecting these risks are beyond the Company's control.

The Company's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "P" and on the New York Stock Exchange ("NYSE") under the symbol "PPP". In addition, Primero has a convertible debenture trading on the TSX under the symbol "P.DB.V" and common share purchase warrants trading on the TSX under the symbol "P.WT.C".

SELECTED CONSOLIDATED ANNUAL INFORMATION

Years ended December 31		**2016**		2015		2014 [1]
Key Performance Data						
Tonnes of ore milled		**1,672,322**		1,868,926		1,593,005
Produced						
Gold equivalent (ounces)		**176,139**		259,474		225,054
Gold (ounces)		**156,052**		221,060		189,943
Silver (million ounces)		**5.32**		8.30		6.15
Sold						
Gold equivalent (ounces)		**178,918**		255,951		220,067
Gold (ounces)		**158,028**		218,194		185,286
Silver (million ounces)		**5.56**		8.12		5.94
Average realized prices						
Gold ($/ounce) [3]	**$**	**1,221**	$	1,136	$	1,243
Silver($/ounce) [3]	**$**	**4.68**	$	5.34	$	7.46
Total cash costs (per gold ounce) [2]						
Gold equivalent basis	**$**	**865**	$	637	$	687
By-product basis	**$**	**817**	$	548	$	579
All-in sustaining costs (per gold ounce) [2]	**$**	**1,333**	$	960	$	1,222
Financial Data (in thousands of US dollars except per share amounts)						
Revenues	**$**	**219,176**	$	291,304	$	274,612
Earnings from mine operations		**580**		50,473		52,663
Net loss		**(234,420)**		(106,910)		(224,384)
Adjusted net income (loss) [2]		**(22,139)**		6,556		5,365
Adjusted EBITDA [2]		**41,385**		100,882		78,673
Basic loss per share		**(1.32)**		(0.66)		(1.48)
Diluted loss per share		**(1.32)**		(0.66)		(1.48)
Adjusted net income (loss) per share [2]		**(0.12)**		0.04		0.04
Operating cash flows before working capital changes		**15,267**		83,166		73,658
Weighted average shares outstanding (basic)(000's)		**177,569**		162,341		152,064
Weighted average shares outstanding (diluted) (000's)		**177,569**		162,341		152,064

As At December 31		**2016**		2015		2014 [1]
Assets						
Mining interests	**$**	**577,920**	$	790,118	$	881,480
Total assets	**$**	**677,817**	$	924,968	$	1,002,820
Liabilities						
Long-term liabilities	**$**	**130,472**	$	162,427	$	190,213
Total liabilities	**$**	**216,687**	$	276,092	$	254,835
Equity	**$**	**461,130**	$	648,876	$	747,985

1 Includes the results for the period for which the Black Fox Complex assets, acquired March 5, 2014, were owned by Primero (March 5, 2014 to December 31, 2014).
2 See "NON-GAAP measurements "
3 Average realized gold and silver prices reflect the impact of the gold purchase agreement with Sandstorm at the Black Fox mine and the silver purchase agreement with Silver Wheaton Caymans at the San Dimas mine (see "Other liquidity considerations ").

HIGHLIGHTS

Operational Performance

- Primero's consolidated production was 176,139 gold equivalent ounces in 2016 compared to 259,474 gold equivalent ounces in 2015. Gold production was 156,052 ounces in 2016 compared to 221,060 ounces in 2015, and silver production was 5.32 million ounces from San Dimas in 2016 compared to 8.30 million ounces in 2015.

- The San Dimas mine produced 93,881 ounces of gold and 5.32 million ounces of silver in 2016 38% and 36% lower for gold and silver, respectively, in comparison to 2015. Production was adversely impacted by the implementation of enhanced ground support in the first half of the year, high unplanned worker absences and lack of compliance to mine plans during the second half. The Company has started an action plan to reset the mining operations and ensure the long-term profitability and sustainability of the mine and is committed to work with the union to turn San Dimas into a more focused and efficient operation.

- The Black Fox mine produced 62,171 ounces of gold in 2016, a decrease of 11% compared to 2015. Production from the Deep Central Zone ramped up in September, and mining is now progressing on three levels (660, 680, and 700 metre levels). During Q4, 2016 the Black Fox mine plan delivered improved grades, which it is expected to continue on in 2017. Management will closely monitor the short-term operating results and cash flow to ensure the Black Fox mine delivers as planned, and will take necessary corrective actions if required.

- The Company's total cash costs per gold equivalent ounce was $865 for 2016 compared to $637 for 2015. On a by-product basis, total cash costs per gold ounce were $817 for 2016 compared to $548 for 2015. Unit costs were higher in 2016 due mainly to lower production at both mines. All-in sustaining costs per ounce were $1,333 for 2016 compared to $960 in 2015.

- Given the Company's 2016 results, Primero has undertaken several actions to streamline its organization and improve shareholder value. These actions include resetting the San Dimas operations to reduce complexity, decrease workforce and other overhead costs. and restore profitability of the mine. The Company will also closely monitor short-term operating results and cash flow at Black Fox to ensure it delivers as planned. The Company is also reducing general and administrative costs through the reduction of corporate office head- count by 30%, downsizing the corporate office space and reducing directors' expenses.

- On February 22, 2017, the Company reported its year-end 2016 mineral reserves and resources. Total Proven and Probable Mineral Reserves as at December 31, 2016 were 1.3 million ounces of contained gold and 56.6 million ounces of contained silver. These represent a decrease of 24% for gold and 20% for silver from year-end 2015, primarily attributable to mining depletion (155,000 gold ounces and 5.3 million silver ounces) and modified modeling parameters. In its modeling approach, the Company has applied a two- pass cut-off grade methodology and increased geological constraints which will improve mine planning and future reserve reconciliations.

- On February 15, 2017, the Company announced that unionized employees at San Dimas had initiated a strike action, resulting in complete stoppage of mining and milling activities at site. This strike is a result of the failure to reach an agreement before the strike deadline during the negotiation of the Collective Bargaining Agreement. Discussions with the union remain ongoing as the strike continues.

Corporate Finance Developments

- On March 31, 2016, the 6.5% Convertible Debentures assumed on the acquisition of Brigus Gold Corp. ("Brigus") were repaid for a total of $48.1 million. To finance this repayment, $50.0 million was drawn on the revolving credit facility ("RCF").

- In June 2016, the Company completed an equity offering pursuant to which the Company issued 22,022,500 units (the "Units") of the Company at a price of C$2.35 per Unit for aggregate gross proceeds of C$51,752,875 (the "equity offering"). Each Unit consists of one common share of Primero and one-half of one common share purchase warrant (each whole common share purchase warrant is a "warrant") of the Company. Each whole warrant entitles the holder to acquire one common share of the Corporation at a price of C$3.35 per common share until June 25, 2018.

- On February 27, 2017, the Company announced that it has entered into a term sheet with Sprott Resource Lending Partnership ("Sprott") for a $75 million three year term loan ("Debt Facility"). The Debt Facility is intended to refinance the Company's existing $75 million RCF, of which $50 million is currently drawn, and will be used partly for general corporate purposes. Sprott has concluded technical due diligence and the term sheet is subject to execution of definitive transaction documents, all regulatory and other third party approvals and satisfaction of other customary conditions precedent. Although the Company believes that definitive agreements with Sprott will be finalized, there can be no assurance that the Company's efforts to obtain financing from Sprott or others will be successful.

Corporate Developments

- In 2016, the Company filed procedural and substantive responses to the legal claim against its Advance Pricing Agreement ("APA") with the Mexican tax authorities ("SAT"), received in February 2016. The claim initiated does not identify any different basis for paying taxes, nor have any tax reassessments been received from the SAT. The Company continues to pay taxes in a manner consistent with the APA on the basis that the applicable facts and laws have not changed. In Q2 2016, the Company issued a Notice of Intent to submit a claim to international arbitration against the Government of Mexico, under the North American Free Trade Agreement ("NAFTA"), highlighting the improper actions taken by the SAT, with the intent of revoking legal rights previously granted to the Company and upon which the Company relied to expand its investment in Mexico. In late 2016, Primero engaged in dialogue with the Mexican government regarding the legal claim of the SAT, and as a result, the Company has not yet initiated international arbitration proceedings pursuant to NAFTA in order to continue such dialogue.

- As discussed in Note 2(b) to the December 31, 2016 consolidated financial statements, there is material uncertainty related to the Company's ability to continue as a going concern. The Company has undertaken a number of actions to reduce cash outflows, and the Company's Board of Directors has commenced a strategic review process to explore alternatives to improve shareholder value. The alternatives include such things as securing additional financing, strategic investments, joint ventures or asset sales. On February 23, 2017, the Company announced the appointment of Mr. Joseph F. Conway as Interim President and Chief Executive Officer.

Financial Performance

- Earnings from mine operations for 2016 were $0.6 million compared to $50.5 million in 2015. The reduction in earnings was a result of lower production at both mines partly offset by higher realized prices for gold during 2016.

- The Company incurred a net loss of $234.4 million ($1.32 per share) including $228.0 million ($188.9 million net of tax) in non-cash impairment charges in 2016, compared to a net loss of $106.9 million ($0.66 per share) in 2015 which included $104.0 million ($97.3 million net of tax) in non-cash impairment charges.

- Adjusted net loss was $22.1 million ($0.12 per share) for 2016, compared to adjusted net income of $6.6 million ($0.04 per share) for 2015, largely due to lower earnings from mine operations in 2016.

- Operating cash flows before changes in working capital decreased to $15.3 million ($0.09 per share) in 2016 compared to $83.2 million ($0.51 per share) in 2015 mainly due to lower earnings from mine operations and unrecovered VAT refunds in Mexico totaling $29.0 million. Working capital outflows were higher in 2016 at $2.2 million compared to $1.5 million in 2015. The increase relates mainly to payments of trade and other payables during 2016.

- Impairment charges of $228.0 million include $111.0 million at the San Dimas mine and $117.0 million at Black Fox complex. The San Dimas impairment was driven primarily by a decrease in mineral reserves. The Black Fox complex impairment charges resulted from decreases in mineral reserves and the resultant shortened mine life. In 2015, impairment charges included $82.0 million at the Black Fox complex resulting from declining metal prices, the decision to temporarily defer the Grey Fox project development and changes in the Black Fox mine plan to focus primarily on higher grade underground ore, plus $22.0 million at Cerro del Gallo resulting from declining metal prices and the decision to further defer development.

- General and administrative expenses were $14.8 million in 2016 compared to $20.0 million in 2015. The decreased expenses were due primarily to lower bonuses and reduced executive personnel in 2016 as compared to 2015.

- The $75 million 5.75% Convertible Debentures issued in February 2015 and the common share purchase warrants issued in conjunction with the equity offering in June 2016 are recorded at fair value and marked to market on a quarterly basis. A $12.6 million combined gain was recognized from these instruments in 2016 as compared to a $13.5 million gain recorded in 2015 on account of the 5.75% Convertible Debentures.

- Income tax recovery in 2016 of $21.5 million (2015 - $20.4 million tax expense) includes a tax recovery of $19.9 million (2015 -$32.5 million tax expense) at San Dimas including $39.1 million (2015 - $6.7 million) tax recovery from the impairments and a $nil (2015 - $4.7 million) tax recovery recorded from the expiry of warrants. During 2016 and 2015, the Mexican peso devalued approximately 13% and 17% relative to the U.S. dollar, respectively. As a result, the tax basis for the Company's assets in Mexico devalued relative to its U.S. dollar functional reporting currency. The lower tax base from a U.S. dollar perspective results in lower deductions for tax purposes in future years if the peso remains devalued. As a result, included in the $21.5 million income tax recovery for 2016 is a $26.6 million (2015 - $25.4 million) non-cash deferred tax expense relating to foreign exchange on its deferred income tax liability.

REVIEW OF ANNUAL CONSOLIDATED FINANCIAL INFORMATION

Earnings from mine operations

	Year ended December 31	
(in thousands of U.S. dollars)	**2016**	2015
Gold revenue	**$ 193,077**	$ 247,819
Silver revenue	**26,099**	43,485
Operating expenses	**(155,267)**	(163,593)
Depreciation and depletion	**(63,329)**	(77,238)
Earnings from mine operations	**$ 580**	$ 50,473

The table below sets out variances in the key drivers of earnings from mine operations for the year ended December 31, 2016 compared with the year ended December 31, 2015:

(in thousands of U.S. dollars)	**Year ended December 31**
Earnings from mine operations in 2015	$ 50,473
Differences:	
Revenue	
Higher realized gold price	13,593
Lower ounces of gold sold	(68,335)
Lower realized silver price	(3,688)
Lower ounces of silver sold	(13,698)
Lower operating expenses	8,326
Lower depreciation and depletion	13,909
Earnings from mine operations as reported in 2016	**$ 580**

Revenue

- Gold revenue decreased by $54.7 million and silver revenue decreased by $17.4 million in 2016 compared to 2015 primarily as a result of reduced production output at both San Dimas and Black Fox (refer to review of operations for further discussion).

Operating expenses

- Operating expenses decreased in 2016 by $8.3 million, resulting mainly from lower mine extraction activities, reduced performance bonuses, the weakening peso at San Dimas and lower labour costs at Black Fox due to the open pit closure in late 2015.

Depreciation and depletion

- Depreciation and depletion was $63.3 million in 2016, a decrease of $13.9 million from 2015 due to lower production in 2016.

A summary income statement follows:

	Year ended December 31	
(in thousands of U.S. dollars)	**2016**	2015
Earnings from mine operations	**$ 580**	$ 50,473
Mining interest impairment charge	**(228,000)**	(104,000)
Exploration expenses	**(3,414)**	(1,690)
Share-based compensation	**(7,049)**	(7,144)
General and administrative expenses	**(14,802)**	(20,044)
Other charges	**(4,725)**	(2,702)
Transaction costs	**(1,214)**	(4,416)
Interest and finance expenses	**(9,299)**	(11,514)
Mark-to-market gain on convertible debentures and warrants	**12,610**	13,500
Other income (expenses)	**(571)**	1,024
Income tax recovery (expense)	**21,464**	(20,397)
Net loss	**($234,420)**	($106,910)

Impairment charges

The indicators for impairment for the San Dimas mine and Black Fox were the revised reserves and resources, a significant decline of Company's market capitalization and the poor operating performance in 2016.

	Year ended December 31	
(in thousands of U.S. dollars)	**2015**	2015
Mining interests:		
San Dimas Mine	**$ 111,000**	$ -
Black Fox Complex	**117,000**	82,000
Cerro del Gallo Project	**-**	22,000
	$ 228,000	$ 104,000

San Dimas Mine

The San Dimas impairment test was based on the updated life-of-mine plan, which incorporated updated reserves and resources, discount rate factors to account for the underlying risks and management's view of the exploration potential of the mine site.

Black Fox Complex

The impairment test for the Black Fox Complex was based on the updated life-of-mine plan. In 2016, the resulting non-cash impairment charge for the Black Fox Complex resulted from decreases in reserves and the resultant shortened mine life. In 2015, the non-cash impairment charge was related to declining metal prices, the decision to temporarily defer Grey Fox development and changes in the Black Fox mine plan to focus primarily on higher grade underground ore.

Cerro del Gallo Project

Decisions to delay temporarily the construction at Cerro del Gallo because of current economic conditions resulted in an impairment to this exploration property of $22.0 million in 2015.

Share-based compensation

Share-based compensation includes amortization on equity-settled plans and marked-to-market adjustments on the value of units in the Company's cash-settled plans. The 2016 decrease is attributed to the decline in the Company's share price, offset by amortization for grants awarded during the year.

General and administrative expenses and other charges

		Year ended December 31		
(in thousands of U.S. dollars)		**2016**		2015
General and administrative expenses				
Salaries and wages	**$**	**6,673**	$	11,130
Rent and office costs		**836**		1,232
Legal, accounting and consulting services		**2,547**		3,672
Directors fees and expenses		**1,238**		922
Other general and administrative expenses		**3,508**		3,088
	$	**14,802**	$	20,044
Other charges				
Legal expenses associated with proceedings in Mexico	**$**	**3,254**	$	694
Office closure costs and severance payments		**1,171**		2,008
Government charges		**300**		-
	$	**4,725**	$	2,702

The change in general and administrative expenses and other charges was a result of the following factors:

- Salaries and wages decreased primarily due to lower bonuses recognized in 2016 given the Company's underperformance during the year. In addition, salaries paid to the former Vancouver finance team in 2015 and the reduction in the number of executives in 2016 contributed to the overall decline in salaries and wages during the year.
- The decrease in rent and office costs related to subleasing of the former Vancouver office vacated in 2015 and a portion of the Toronto corporate offices subleased to third parties in the second half of 2015.
- The decrease in normal course legal, accounting and consulting services expense in 2016 is largely due to lower charges relating to assurance and internal control consulting matters.
- Director fees and expenses include monthly retainer fees, meeting fees, travel expenses and consulting expenses relating to corporate governance matters. Higher charges relating to corporate governance matters, director education and increased number of director meetings accounted for the increase in director fees and expenses in 2016.
- Other general expenses include administrative expenses necessary to maintain the corporate office including IT and communications, investor relations, insurance and public company listing and regulatory fees.
- The increase in other charges during 2016 is primarily due to higher legal expenses incurred in connection with the APA and NAFTA claims in relation to the Company's operation in Mexico, partly offset by a decrease in office closure costs and severance payments.

Transaction costs

Transaction costs include costs allocated to the common share purchase warrants issued in connection with the equity offering completed in June 2016. Transaction costs in 2015 related to the issuance of the $75.0 million 5.75% Convertible Debentures.

Interest and finance expenses

Interest and finance expense decreased by $2.2 million in 2016 as compared to 2015, primarily due to the repayment in full of the 6.5% convertible debentures in March 2016. Interest and finance expenses include accretion costs.

Mark-to-market gain on convertible debentures and warrants

In June 2016, the Company recognized a warrant liability in connection with the equity offering and along with the 5.75% Convertible Debenture are measured at fair value and marked-to-market each period based on the corresponding trading price. The Company recognized a gain of $9.0 million from the 5.75% Convertible Debentures and $3.6 million from the common share purchase warrants during 2016 (2015 - $13.5 million gain from the 5.75% Convertible Debentures).

Other income (expense)

Other income (expense) includes foreign exchange gains and losses, gains on the 6.5% convertible debenture derivative liability and other items. The Company recorded a foreign exchange loss of $0.7 million in 2016 compared to a gain of $0.1 million in 2015. Foreign exchange gains result primarily from the translation of Mexican peso denominated and Canadian dollar denominated asset retirement obligations offset by foreign exchange losses from the peso denominated taxes receivable. In 2016, the Mexican peso depreciated while the Canadian dollar strengthened relative to the U.S. dollar (the Company's functional currency). In 2015, both the Mexican peso and the Canadian dollar depreciated relative to the U.S. dollar.

Income tax expense

		Year ended December 31		
(in thousands of U.S. dollars)		**2016**		2015
Current tax expense				
Mining royalty at San Dimas	**$**	**981**	$	5,590
Other current tax - Mexico		**108**		17,775
	$	**1,089**	$	23,365
Deferred tax expense (recovery)				
Withholding tax on intercompany interest	**$**	**3,308**	$	3,932
San Dimas change in tax basis		**(18,002)**		6,552
Mining royalty at San Dimas		**(6,333)**		(1,122)
Tax recovery on mining interest impairments		**-**		(6,661)
Tax recovery on expiry of warrants		**-**		(4,736)
Other deferred tax		**(1,526)**		(933)
		($22,553)		($2,968)
Total		**($21,464)**	$	20,397

San Dimas pays income taxes based on its Mexican peso financial statements, which include foreign exchange and other income items (permanent differences) different than the U.S. dollar reporting financial statements. In addition, foreign exchange losses are recognized in deferred income tax expense when the Mexican peso denominated deferred income tax balance is translated to its U.S. dollar reporting currency. In 2016 this decreased deferred tax recovery by $26.6 million (2015-$25.4 million).The reduction in San Dimas tax basis reflects the impact of this foreign exchange offset by inflation on the San Dimas' deferred income tax balances and the impact of higher book to tax depreciation. The volatility of the exchange rate between the Mexican peso and the U.S. dollar can result in significant adjustments to deferred tax expense.

The poor performance of the Company's Mexican operations in 2016 generated a lower tax base of $0.1 million in comparison with the current tax expense of $17.8 million in 2015. In addition, San Dimas current income taxes have increased because of lower tax depreciation than accounting depreciation. See Note 12 to the December 31, 2016 consolidated financial statements for a full reconciliation of annual income taxes at the statutory rate to the income tax recovery or expense in the statement of operations and comprehensive income (loss).

The Company's Canadian operations which include the Black Fox Complex and the corporate office, is not currently taxable and has $194.0 (2015 - $172.0) million in Canadian resource tax pools which do not expire and can be utilized to shelter future income earned from the Black Fox Complex.

The mining royalty is deductible for tax purposes and is calculated as 7.5% of a royalty base. The royalty base being taxable revenues for income tax purposes (except interest and inflationary adjustment), less allowable deductions for income tax purposes (except interest, inflationary adjustment, depreciation and mining fees), less prospecting and exploration expenses of the year.

The Company has taken the position that the royalty is an income tax as it is based on a measure of revenue less certain specified costs. On substantial enactment, a taxable temporary difference arose, as mining assets and financial assets/liabilities had a book basis but no tax basis for purposes of the royalty. The Company has recognized a net deferred tax liability of $22.3 million as at December 31, 2016 in respect of this royalty (2015-$28.7 million). This deferred tax liability will be drawn down to $nil as a reduction to tax expense over the life of mine as the mine and its related assets are depleted/depreciated. In 2016, the liability was reduced by $6.4 million (2015-$3.9 million).

REVIEW OF OPERATIONS

San Dimas Mine

	Year ended December 31		Three months ended				
	2016	2015	31- Dec- 16	30- Sep- 16	30- Jun- 16	31- Mar- 16	31- Dec- 15
Key Performance Data							
Tonnes of ore mined	**762,167**	988,168	194,670	185,080	231,224	151,193	228,539
Tonnes of ore milled	**759,087**	993,093	191,925	193,553	224,427	149,182	250,796
Tonnes of ore milled per day	**2,074**	2,721	2,086	2,104	2,466	1,639	2,726
Average mill head grade (grams/tonne)							
Gold	**3 .94**	4.90	3.87	3.69	4.10	4.13	5.23
Silver	**2 28**	274	245	232	231	198	300
Average gold recovery rate (%)							
Gold	**98 %**	97%	97%	97%	98%	99%	98%
Silver	**96 %**	95%	94%	95%	96%	97%	96%
Produced							
Gold equivalent (ounces)	**113,968**	189,769	28,286	28,454	34,327	22,901	50,370
Gold (ounces)	**93,881**	151,355	23,163	22,162	28,978	19,578	41,371
Silver (million ounces)	**5.32**	8.30	1.42	1.37	1.60	0.92	2.32
Sold							
Gold equivalent (ounces)	**118,450**	185,463	28,252	27,405	33,653	29,140	48,466
Gold (ounces)	**97,560**	147,706	22,547	21,840	28,873	24,300	40,320
Silver at fixed price (million ounces)	**5.41**	7.27	1.57	1.06	1.43	1.35	2.10
Silver at spot (million ounces)	**0.16**	0.85	0.01	0.15		-	-
Average realized price (per ounce)							
Gold	**$ 1,246**	$ 1,150	$ 1,208	$ 1,335	$ 1,265	$ 1,178	$ 1,092
Silver [1]	**$ 4 .68**	$ 5.34	$ 4.34	$ 6.12	$ 4.24	$ 4.24	$ 4.24
Total cash costs (per gold ounce) [2]							
Gold equivalent basis	**$ 856**	$ 559	$ 746	$ 865	$ 843	$ 998	$ 535
By product basis	**$ 774**	$ 409	$ 643	$ 731	$ 765	$ 968	$ 414
All in sustaining costs (per ounce) [3]	**$ 1,117**	$ 680	$ 994	$ 1,080	$ 1,063	$ 1,362	$ 753
Revenue ($000's)	**$ 147,581**	$ 213,191	$ 34,089	$ 36,581	$ 42,578	$ 34,333	$ 52,960
Earnings from mine operations ($000's)	**$ 145**	$ 53,717	$ 1,780	$ 407	$ 4,348	($6,390)	$ 11,408

1 Average realized silver prices reflect the impact of the silver purchase agreement with Silver Wheaton Caymans (see "Other liquidity considerations").
2 See "NON- GAAP measurements."
3 For the purposes of calculating all-in sustaining costs at individual mine sites, the Company does not include general and administrative expenses. See "NON- GAAP measurements ".

Production at San Dimas was impacted by the implementation of enhanced ground support in early 2016, and later by high unplanned worker absences and lack of compliance to the mine plans. This resulted in reduced underground development rates and ventilation restrictions which affected mine productivity.

In late 2016, San Dimas began to reduce the complexity of the mining operation by prioritizing work in the higher production areas. Mining development during the fourth quarter of 2016 were the highest quarterly total since the second quarter of 2015, an indication that stopes will begin to be scheduled in an improved manner. For the year, San Dimas mill throughput averaged 2,074 TPD compared to 2,721 TPD in 2015 (based on 366-day availability in 2016 and 365-day availability in 2015).

The Company sold 0.16 million ounces of silver at spot prices in 2016, after meeting the annual threshold delivery to Silver Wheaton Caymans in accordance with the silver purchase agreement. In comparison, the Company sold 0.85 million ounces of silver at spot prices in 2015. The majority of silver sold in 2016 was delivered to Silver Wheaton Caymans under the silver purchase agreement. The threshold limit under the silver purchase agreement for the 2015 contract year (August 6 of a year to August 5 of the following year) is 6.0 million ounces of silver. Once this threshold is exceeded, the Company is able to sell 50% of the silver produced at San Dimas at spot market prices. As of December 31, 2016, the Company has delivered 2.12 million ounces of silver towards this annual threshold (2015 – 2.85 million ounces).

For the 2016 year, total operating expenses were lower than 2015 due to reduced mining and milling activity throughout the year and the weakening of Mexican peso. Despite the lower overall costs, the lower gold and silver production levels drove unit costs higher than 2015. Total cash costs on a gold-equivalent and by-product basis in 2016 were $856 and $774 per ounce, respectively, compared with $559 and $409 per ounce, respectively, in 2015.

Total capital expenditures for 2016 were below 2015 levels due to lower underground development and drilling activities, and mill expansion spending. All-in sustaining costs per gold ounce were $1,117 in 2016, compared to $680 in 2015. Similar to cash costs, the lower production level drove all-in sustaining costs higher when compared to 2015, partly offset by lower gross capital spending levels.

As announced on February 15, 2017, there has been a complete stoppage of mining and milling activities at San Dimas as the Company failed to reach agreement with the union on the critical changes needed to the Collective Bargaining Agreement ("CBA") in order to return San Dimas to profitability. Discussions with the union remain ongoing as the strike continues.

Primero's goal is to find ways to reduce the complexity and scale of San Dimas operations to increase productivity. This mine "reset" is expected to result in significant decreases to the San Dimas workforce and other overhead costs, and is critical to ensure the long-term profitability and sustainability of the mine. A phased re-start of mining activities, on a vein by vein basis, is planned to ensure strict adherence to best-practice mining techniques and compliance with underlying mine plans within a safe operating environment.

Primero is committed to working with the union to achieve its cost reduction goals, realign the short-term bonus system and match the labour force with the more focused, efficient operation. Through this effort, Primero expects to return San Dimas to profitability and positive cash flow generation.

Black Fox Mine

	Year ended December 31		Three months ended				
	2016	2015	31-Dec-16	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15
Key Performance Data							
Open pit mining							
Tonnes of ore mined	**-**	849,668	-	-	-	-	-
Strip ratio	**-**	4.71	-	-	-	-	-
Average gold grade (grams/tonne)	**-**	2.09	-	-	-	-	-
Underground mining							
Tonnes of ore mined	**234,518**	140,836	73,597	64,522	57,898	38,501	57,041
Average gold grade (grams/tonne)	**4.98**	4.81	5.21	5.18	4.46	4.99	5.80
Tonnes increase (decrease) in stockpile	**(678 ,717)**	114,671	(152,005)	(168,996)	(171,764)	(185,952)	(172,188)
Tonnes processed							
Tonnes of ore milled	**913,235**	875,833	225,602	233,518	229,662	224,453	229,229
Tonnes of ore milled per day	**2,495**	2,400	2,452	2,538	2,524	2,467	2,492
Average mill head grade (grams/tonne)	**2.22**	2.60	2.49	2.29	2.14	1.94	2.51
Average gold recovery rate (%)	**96 %**	96%	97%	95%	96%	95%	96%
Produced							
Gold (ounces)	**62 ,171**	69,705	17,512	16,230	15,172	13,257	17,785
Sold							
Gold at spot price (ounces)	**55 ,371**	64,597	14,494	14,735	12,996	13,146	16,434
Gold at fixed price (ounces)	**5,097**	5,891	1,214	1,409	1,138	1,336	1,015
Average realized gold price (per ounce) [1]	**$ 1,181**	$ 1,108	$ 1,145	$ 1,264	$ 1,192	$ 1,118	$ 1,059
Total cash costs (per gold ounce) [2]	**$ 881**	$ 850	$ 828	$ 926	$ 870	$ 851	$ 834
All- in sustaining costs (per ounce) [3]	**$ 1,291**	$ 1,163	$ 1,101	$ 1,286	$ 1,362	$ 1,404	$ 1,104
Revenue ($000's)	**$ 71,595**	$ 78,112	$ 18,092	$ 20,431	$ 16,861	$ 16,211	$ 18,444
Earnings (loss) from mine operations (000's)	**$ 649**	$ (3,011)	$ 85	$ (422)	$ 328	$ 658	$ (1,075)

1 Average realized gold prices reflect the impact of the gold purchase agreement with Sandstorm (see "Other liquidity considerations").
2 See "NON- GAAP measurements "
3 For the purposes of calculating all-in sustaining costs at individual mine sites, the Company does not include general and administrative expenses. See "NON- GAAP measurements ".

The Black Fox underground mine achieved increased production rates averaging 641 TPD in 2016 at an average grade of 5.0 grams per tonne, representing 66% and 4% improvements, respectively, over 2015.

Black Fox has increased gold production each quarter of 2016, and mining operations will continue to focus on the higher-quality, more predictable Deep Central and Central Zones of the mine, with less reliance on the upper remnant areas. Production from the Deep Central Zone has ramped-up since initial stoping activities began in September, and mining is now progressing on multiple levels. Black Fox delivered 800 tonnes per day of ore production during the fourth quarter of 2016.

During 2016, 678,717 tonnes from the low-grade stockpile were processed through the mill. This stockpile drawdown allowed the mill to achieve a new throughput record, averaging 2,495 TPD (based on 366-day availability).

Despite higher grades and increased tonnage being realized from underground mining in 2016 compared to 2015, mill head grades were lower compared to 2015. In 2015, the mill was supplemented with ore from open pit operations that were higher in grade than the remaining low-grade stockpile fed to the mill in 2016. The lower mill grades were principally responsible for the lower gold production.

The drawdown of the lower-cost stockpile to fill the mill as opposed to open pit mining operations was the main driver of lower operating costs in 2016 compared to 2015. Labour costs were significantly higher in 2015 due to the open pit operations.

Total cash cost per gold ounce were higher in 2016 at $881 per ounce compared to $850 per ounce in 2015 as the lower gold production more than offset lower operating costs.

All-in sustaining costs were higher in 2016 compared to 2015 due to the lower gold production, and slightly higher sustaining capital expenditures due to increased development costs and costs to lift the tailings dam. All-in sustaining costs per gold ounce were $1,291 in 2016, compared to $1,163 in 2015.

The Company continues to evaluate and de-risk the Froome deposit, under a combination open-pit/underground mining option to supplement the Black Fox ore body and improve overall Complex economics. With the low-grade stockpile expected to be fully depleted by mid-2017, Black Fox intends to re-engineer the operation to focus on improved cost efficiency ensuring profitability at reduced mill feed rates. This will involve optimizing surface operations as well as streamlining capital programs. The Company also expects a reduction in capital intensity per ounce as underground operations become focused on production from the Deep Central Zone. Management will closely monitor the short-term operating results and cash flow to ensure the Black Fox mine delivers as planned, and will take necessary corrective actions, including possible care and maintenance, if required.

FINANCIAL CONDITION REVIEW

As at December 31, 2016, the Company has a working capital deficiency of $3.2 million, which is primarily due to the revolving credit facility balance (see note 18 of the annual financial statements) of $50.0 million due on May 23, 2017. The Company's revolving credit facility contains several financial covenants, which, if not met could result in an event of default. The Company closely monitors compliance with its covenants, as any breach of covenant could result in an event of default under the revolving credit facility agreement, which, if not addressed, would entitle the lender to demand repayment. The revolving credit facility also contains certain other covenants, including cross-default provisions with the Company's 5.75% convertible debentures. As at December 31, 2016, the Company was in compliance with all its covenants under the revolving credit facility agreement.

The Company's ability to continue operations in the normal course of business is dependent on several factors, including its ability to secure additional funding, successful outcome of the strike and resumption of the San Dimas operations to normal operating capacity. The Company has undertaken a number of actions to reduce cash outflows, and the Company's Board of Directors has commenced a strategic review process to explore alternatives to improve shareholder value. The alternatives include such things as securing additional funding, strategic investments, joint ventures and asset sales. There can be no assurance that the Company's efforts will be successful in these initiatives, and this represents a material uncertainty that casts substantial doubt on the ability of the Company to continue as a going concern.

A key financial objective is to make sure the Company has access to funds to achieve its medium term (three year) objectives. The Company's strategy is to ensure liquidity is available to finance exploration and development requirements at its mining operations and growth projects as well as repay financial obligations. The Company manages its liquidity by ensuring that, even in a low gold price environment, its operations can manage spending and provide adequate cash flow.

To support these objectives the Company manages its capital structure and makes adjustments to it within the context of the Company's strategy, economic conditions and risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue shares, adjust the amount of debt or enter into new debt. The Company does not currently pay out dividends.

Several key policy guidelines are used to manage the Company's capital structure:

- ensure that there is sufficient cash to meet its liabilities when they are due;
- evaluate its financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner;
- maintain a liquidity cushion to address operational and/or industry disruptions or downturns;
- maintain a conservative level of debt relative to total capital and earnings within the context of financial forecasts for pricing, costs and production.

Key financial ratios the Company uses to monitor this are shown together with the net asset table below.

(in thousands of U.S. dollars except ratios and per share amounts)		**As at December 31, 2016**		As at December 31, 2015
Cash and cash equivalents	**$**	**19,875**	$	45,601
Other current assets		**63,178**		72,970
Non-current assets		**594,764**		806,397
Total assets	**$**	**677,817**	$	924,968
Current liabilities (excluding current debt)	**$**	**35,374**	$	61,248
Non-current liabilities (excluding long-term debt)		**77,566**		99,700
Current debt		**50,841**		52,417
Long-term debt		**52,906**		62,727
Total liabilities	**$**	**216,687**	$	276,092
Total shareholders' equity	**$**	**461,130**	$	648,876
Total equity	**$**	**461,130**	$	648,876
Total common shares outstanding		**189,508,365**		164,185,807
Total options outstanding		**6,525,244**		4,246,198
Total common share purchase warrants outstanding [1]		**11,011,250**		-
Key financial ratios				
Current ratio [2]		**0.96**		1.04
Total liabilities-to-equity [3]		**0.47**		0.43
Debt-to-total capitalization [4]		**0.18**		0.15

1 The Company has 11.0 million warrants outstanding which are exercisable to purchase 11.0 million common shares at a price of C$3.35 per common share until June 25, 2018.
2 Current ratio is calculated as (cash and cash equivalents + other current asset) ÷ (current liabilities + short-term debt).
3 Total liabilities-to-equity is calculated as total liabilities ÷ total equity.
4 Debt-to-total capitalization is calculated as (short-term debt + long-term debt) ÷ (short-term debt + long-term debt + total equity).

The Company's net assets (equity) as at December 31, 2016 were $461.1 million compared to $648.9 million as at December 31, 2015. The current ratio has decreased from December 31, 2015 due to lower cash and cash equivalent balance, and the reclassification of a portion of taxes receivables to non-current assets. The mining interest impairment charges recognized in 2016, also caused an increase in the total liabilities-to-equity ratio and debt-to-total capitalization ratio.

Liquidity at December 31, 2016 consisted of cash and cash equivalents of $19.9 million. The Company expects to be able to meet all of its commitments including repayment of the outstanding balance under its revolving credit facility, and fulfill its exploration and capital program for 2017 from its operating cash flows, cash balances and the new 3-year term loan with Sprott, (see related discussion in the Highlights section). Sprott has concluded technical due diligence and the term sheet is subject to execution of definitive transaction documents, all regulatory and other third party approvals and satisfaction of other customary conditions precedent.

Sources and Uses of Cash

	Year ended December 31	
(in thousands of U.S. dollars)	**2016**	2015
Cash flow:		
Provided by operating activities before working capital changes	**$ 15,267**	$ 83,166
Changes in non-cash working capital	**(2,158)**	(1,537)
Provided by operating activities	**13,109**	81,629
Used in investing activities	**(67,673)**	(99,611)
Provided by financing activities and other	**28,838**	36,194
Increase (decrease) in cash	**($25,726)**	$ 18,212

Operating activities

Operating cash flows before working capital changes decreased in 2016 due to lower gold production and sales at both San Dimas and Black Fox and significantly higher income tax installments by PEM compared to 2015 as income tax installments are based on the most recent fiscal year in which PEM had earnings for tax purposes, which in this case was 2015.

The changes in non-cash working capital was a cash outflow of $2.2 million in 2016 compared with an outflow of $1.5 million in 2015. The higher outflow in 2016 was due mainly to the payment of the annual union bonus at San Dimas and higher payments for trade and other payables and the build-up of income tax and VAT receivable in Mexico. At the end of 2016 the Company has $29.0 million of VAT and $13.0 million of income taxes pending for refund. These were partly offset by decreases in inventory as more gold was sold than produced at San Dimas and Black Fox and Black Fox continued to deplete their low-grade stockpile.

Investing activities

Cash used in investing activities related mostly to capital expenditures as shown in the table below.

		Year ended December 31		
(in millions of U.S. dollars)		**2016** [1]		2015
Capital Expenditures				
San Dimas Underground Development	**$**	**13.9**	$	16.7
San Dimas Sustaining Capital		**11.4**		16.9
San Dimas Projects		**3.7**		12.4
San Dimas Sub Total	**$**	**29.0**	$	46.0
Black Fox Underground Development	**$**	**15.1**	$	10.9
Black Fox Sustaining Capital		**5.7**		5.3
Black Fox Projects		**-**		2.9
Black Fox Complex Sub Total	**$**	**20.8**	$	19.1
Cerro del Gallo Development		**-**		2.9
Total Capital Expenditures	**$**	**49.8**	$	68.0
Capitalized Exploration Expenditures				
San Dimas Diamond Drilling	**$**	**4.6**	$	4.9
San Dimas Drifting		**2.2**		2.6
San Dimas Regional Diamond Drilling		**0.4**		3.0
San Dimas Sub Total	**$**	**7.2**	$	10.5
Black Fox Diamond Drilling		**4.7**		5.8
Grey Fox & Regional Exploration		**4.8**		9.0
Black Fox Complex SubTotal	**$**	**9.5**	$	14.8
Total Capitalized Exploration Expenditures	**$**	**16.7**	$	25.3
TOTAL CAPITAL EXPENDITURES	**$**	**66.5**	$	93.3

[1] In 2015 Cerro del Gallo's mineral property asset was reclassified as an exploration and evaluation asset. As such, expenditures totaling $1.5 million were recorded as exploration expenses in 2016.

[2] Total capital expenditures differ from cash used in investing activities on the consolidated statements of cash flows due to timing of cash payments.

San Dimas capital spending during the year was focused on progressing underground development, but labour issues and delays in ventilation upgrades impacted the overall development rate. Additional equipment was purchased earlier in the year to improve the efficiency of ground support work, including three scissor trucks and two bolters. Project spending related to the upgrade to the main crushing circuit and completing the back-up crusher circuit. The back-up crusher will be used during the rainy season when material is wet causing plugging and a reduced capacity. Sustaining capital included rebuild work on underground equipment and various minor mill projects.

Black Fox capital expenditure continued to focus on ramp and level development in the Deep Central Zone. The majority of the Black Fox sustaining capital is related to the annual tailings lift project.

Financing activities

On March 31, 2016, the Company repaid in full the $48.1 million outstanding balance of the 6.5% Convertible Debentures assumed on the acquisition of Brigus. To finance the repayment, $50.0 million was drawn on the revolving credit facility.

In June 2016, the Company completed an equity offering pursuant to which the Company issued 22,022,500 Units of the Company at a price of C$2.35 per Unit for aggregate gross proceeds of C$51,752,875. Each Unit consists of one common share of Primero and one-half of one common share purchase warrant of the Company. Each whole warrant entitles the holder to acquire one common share of the Corporation at a price of C$3.35 per common share until June 25, 2018.

Out of the gross proceeds from the equity offering, $4.7 million was allocated to the common share purchase warrants based on their fair value determined using the trading price at the date of closing of the transaction, and the remaining $35.3 million was allocated to the common shares and recorded as share capital. The common share purchase warrants were classified as a financial liability in the statement of financial position. Fair value changes of the common share purchase warrants are recognized in the statement of operations and comprehensive income (loss).

Transaction costs relating to the equity offering amounted to $2.5 million, of which $0.2 million was allocated to the common share purchase warrants and was recognized as an expense in the statement of operations and comprehensive loss. The balance of $2.3 million was allocated to share capital.

Debt

(in thousands of U.S. dollars)		**As at December 31, 2016**		As at December 31, 2015
Current debt				
6.5% convertible debentures	**$**	**-**	$	47,751
Revolving credit facility	**$**	**49,639**	$	-
Finance lease liabilities		**1,202**		4,666
Total current debt	**$**	**50,841**	$	52,417
Long-term debt				
5.75% convertible debentures		**52,500**		61,500
Finance lease liabilities		**406**		1,227
Total long-term debt	**$**	**52,906**	$	62,727
Total debt	**$**	**103,747**	$	115,144

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements, other than the potential availability of the undrawn $25 million under the RCF. The Company is not anticipating drawing down the remaining balance since it has entered into a term sheet with Sprott with the intention to refinance the RCF.

The RCF is secured by substantially all of the Company's assets and contains customary covenants and default clauses typical to this type of facility.

The terms of the credit agreement were amended in December 2016. Pursuant to the amended terms of the RCF, the Company is required to maintain the following financial covenants:

- Tangible net worth (being equity less goodwill and other intangible assets) of an amount greater than or equal to the greater of (1) US$586 million less an amount equal to 115% of the impairment charge, if any, booked in respect of the Company's fixed assets for the year ended December 31, 2016; and (2) US$340 million, plus (in either case) 50% of positive net income earned from January 1, 2017.
- Net debt leverage ratio (being total liabilities, less trade payables incurred in the ordinary course of business less unrestricted cash divided by rolling 4 quarter EBITDA, as calculated per the RCF) of less than or equal to 4.25 : 1.0 for the fiscal quarter ended December 31, 2016, and 3.50 : 1.0 thereafter.
- Senior net debt leverage ratio (being that portion of net debt that ranks pari passu with or in priority to the RCF divided by rolling 4 quarter EBITDA, as calculated per the RCF) of less than or equal to 2.50 : 1 for the fiscal quarter ended December 31, 2016, and 2.0 : 1 thereafter.
- Interest coverage ratio (being EBITDA, as calculated per the RCF, divided by interest expense) greater than 4.50:1.

As at December 31, 2016, the Company was compliant with these covenants. The Company closely monitors compliance to these covenants, as a breach of a covenant would be considered an event of default under the revolving credit agreement which, if not addressed, would entitle the lenders to make the borrowings under the revolving credit facility immediately due and payable and also causing borrowings under the 5.75% convertible debentures to become immediately due and payable. Being able to remain in compliance with the covenants is dependent upon many factors including, but not limited to, commodity prices, exchange rates, and levels of gold production. Adverse changes in one or more of these factors could negatively impact the Company's ability to remain in compliance.

Shareholders' Equity

Shares Issued

During the year ended December 31, 2016, the Company issued 1,445,787 common shares for the settlement of vested PSUs under the 2013 PSU Plan and the Directors' PSU Plan; 1,854,271 common shares for the acquisition of mining concessions from Coral Silver; and 22,022,500 common shares pursuant to the equity offering completed in June 2016.

Outstanding Share Data

As at December 31, 2016, the Company had 189,508,365 common shares outstanding (164,185,807 as at December 31, 2015). As at the date of this MD&A, the Company had 190,918,683 common shares outstanding.

Options

As at December 31, 2016, the Company had 6,525,244 options outstanding with a weighted average exercise price of C$4.17; of these 3,631,070 were exercisable at a weighted average exercise price of C$5.06. As at the date of this MD&A, the total number of options outstanding was 6,062,845, of which 4,673,416 are exercisable.

Common Share Purchase Warrants

As at December 31, 2016, the Company had 11,011,250 common share purchase warrants outstanding. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $3.35 until its expiry date of June 25, 2018.

PSUs Exercisable Into Common Shares

As at December 31, 2016 and the date of this MD&A, the Company had 74,627 Directors PSUs outstanding, which vest and expire on December 1, 2017. A director holding Director PSUs is entitled to elect to receive, at vesting either (1) a cash amount equal to the number of Director PSUs that vest multiplied by the volume weighted average trading price per common share over the five preceding trading days, (2) the number of common shares equal to the number of Directors' PSUs (subject to the total number of common shares issuable at any time under the Directors' PSU Plan, combined with all other common shares issuable under any other equity compensation arrangements then in place, not exceeding 10% of the total number of issued and outstanding common shares of the Company), or (3) a combination of cash and shares. If no election is made, the Company will pay out such Directors' PSUs in cash.

As at December 31, 2016 and the date of this MD&A, the Company had 4,670,104 PSUs outstanding under the 2013 PSU Plan ("2013 PSUs"), which vest and expire between February 18, 2017, and December 31, 2019. A person holding 2013 PSUs is entitled to receive at vesting, at the Company's option, either (1) a cash amount equal to the number of 2013 PSUs that vest multiplied by the volume weighted average trading price per common share over the five preceding trading days, (2) the number of common shares equal to the number of 2013 PSUs (subject to the total number of common shares issuable at any time under the 2013 PSU Plan, combined with all other common shares issuable under any other equity compensation arrangements then in place, not exceeding 10% of the total number of issued and outstanding common shares of the Company) or (3) a combination of cash and shares.

Deferred Share Units

As at December 31, 2016 and the date of this MD&A, the Company had 315,790 deferred share units outstanding under the deferred share unit plan which vest between May 25, 2015 and May 25, 2020. A person holding deferred share units (DSUs) under this plan is entitled to receive at vesting, either a cash payment equal to the redemption value of the DSUs, shares issued from treasury equal to the number of DSUs, shares purchased on the stock exchange, or any combination of these, such that the cash payment plus number of shares delivered have a value equal to the redemption value of the DSUs. The choice of settlement is solely at the Company's discretion. The redemption value is calculated by the number of DSUs redeemed multiplied by the weighted average price per share traded on the TSX over the last five trading days preceding the redemption date.

Contractual commitments

The following table summarizes the contractual maturities of the Company's financial liabilities and operating and capital commitments as at December 31, 2016:

	As at December 31, 2016				As at Dec. 31, 2015
(in thousands of U.S. dollars)	Within 1 year	2-5 years	Over 5 years	**Total**	Total
Trade and other payables and accrued liabilities	$ 31,667	$ -	$ -	**$ 31,667**	$ 44,307
Share based payments	115	-	-	**115**	661
6.5% Convertible debentures and interest	-	-	-	**-**	49,680
5.75% Convertible debentures and interest	4,313	84,322	-	**88,635**	92,959
Revolving line of credit and interest	50,811	-	-	**50,811**	-
Finance lease payments	1,202	406	-	**1,608**	5,893
Minimum rental and operating lease payments	1,430	1,788	-	**3,218**	3,630
Reclamation and closure cost obligations	2,427	2,352	45,394	**50,173**	60,637
Commitment to purchase plant and equipment	516	-	-	**516**	5,689
Total	$ 92,481	$ 88,868	$ 45,394	**$ 226,743**	$ 263,456

The Company expects to discharge its commitments as they come due from its existing cash balances, cash flow from operations, collection of receivables, and the new Debt Facility from Sprott (see related discussion in the Financial Conditions Review section).

Other Liquidity Considerations

San Dimas

In 2004, the then owner of the San Dimas mine entered into an agreement to sell all the silver produced at the San Dimas mine for a term of 25 years to Silver Wheaton Caymans in return for an upfront payment comprising cash and shares of Silver Wheaton Corp. ("Silver Wheaton") and a per ounce payment of the lesser of $3.90 (adjusted for annual inflation), or the market price. The Company was required to assume this agreement, with amendments, when it acquired the San Dimas mine in 2010. The amendments provided that from August 6, 2014 and for the life of the mine, the first 6.0 million ounces per annum of silver produced by the San Dimas mine, plus 50% of the excess silver above this amount, must be sold to Silver Wheaton Caymans at the lesser of $4.28 per ounce (adjusted by 1% per year) and market prices. All silver not sold to Silver Wheaton Caymans is available to be sold by the Company at market prices.

Black Fox Complex

On November 9, 2010, Brigus entered into a gold purchase agreement with Sandstorm to sell a portion of future gold production from the Black Fox mine and the adjoining Pike River property for an upfront cash payment of $56.3 million and ongoing per ounce payments of the lesser of $523 per ounce of gold (subject to an inflationary adjustment not to exceed 2% per year) and market prices. On November 5, 2012, Brigus elected to repurchase a portion of the stream by paying $24.4 million to Sandstorm, which resulted in Sandstorm being entitled to 8% of the future production at the Black Fox mine and 6.3% at the Pike River property. The Company was required to assume the gold purchase agreement when it acquired Brigus in March 2014. *Cerro del Gallo*

The Company has potential future financial commitments related to its acquisition in December 2013 of Goldcorp's 30.8% interest in the Cerro del Gallo project. These commitments are contingent payments based on meeting certain milestones or market conditions. The contingent payments include:

- $8 million after achieving commercial production on the phase I heap leach operation (the "First Contingent Payment");
- $14 million on announcement of a decision by Primero to construct a carbon-in-leach mill for Phase II ("the Second Contingent Payment");
- $5 million if the date of the First Contingent Payment occurs before December 19, 2018 and the gold price averages $1,500 or more per ounce for a consecutive 30 day period within one year following the date of the First Contingent Payment, and not later than December 19, 2018;
- $5 million if the date of the Second Contingent Payment occurs before December 19, 2018 and the gold price averages $1,500 or more per ounce for a consecutive 30 day period within one year following the date of the Second Contingent Payment, and not later than December 19, 2018.

Dividend Report and Policy

The Company has not paid any dividends since incorporation and currently has no plans to pay dividends.

Capital management

The Company's objectives in managing capital are to:

- ensure the Company has the financial capacity to support its operations in a low gold price environment;
- ensure the Company has the capital and capacity to support its long-term growth strategy;
- ensure the Company complies with its debt covenants; and
- provide returns for shareholders and benefits for other stakeholders.

The Company's capital items are the following:

		2016		2015
Cash and cash equivalents	**$**	**19,875**	$	45,601
Undrawn revolving credit facility		**25,000**		75,000
Current debt		**50,841**		52,417
Long-term debt		**52,906**		62,727
Shareholders' equity		**461,130**		648,876

The Company has $25.0 million remaining undrawn balance in its revolving credit facility. Further drawdowns from the facility are subject to the lenders' approval. The Company is not anticipating drawing down the remaining balance since it has entered into a term sheet with Sprott with the intention to refinance the RCF.

To support the Company's capital management objectives, the Company manages its capital structure and makes adjustments to it within the context of the Company's strategy, economic conditions and risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue shares, adjust the amount of debt or enter into new debt. The Company does not currently pay out dividends.

Several key policy guidelines are used to manage the Company's capital structure:

- ensure that there is sufficient cash to meet its liabilities when they are due;
- evaluate its financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner;
- maintain a liquidity cushion to address operational and/or industry disruptions or downturns; and
- maintain a conservative level of debt relative to total capital and earnings within the context of financial forecasts for pricing, costs and production.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition.

In February 2017 the Company entered into a term sheet with Sprott Resource Lending Partnership for a $75 million three year term loan to replace its existing revolving credit facility, due to mature on May 23, 2017. Sprott has concluded technical due diligence and the binding term sheet is subject to execution of definitive transaction documents, all regulatory and other third party approvals and satisfaction of other customary conditions precedent. Although the Company believes that definitive agreements with Sprott will be finalized, there can be no assurance that the Company's efforts to obtain financing from Sprott or others will be successful.

FOURTH QUARTER RESULTS

Selected Quarterly Information

Three months ended	31-Dec-16	30-Sep16	30-Jun-16	31-Mar-16	31-Dec-15
Key Performance Data					
Tonnes of ore milled	**417,528**	427,070	454,089	373,635	480,025
Produced					
Gold equivalent (ounces)	**45,794**	44,684	49,499	36,158	68,155
Gold (ounces)	**40,674**	38,392	44,150	32,835	59,156
Silver (million ounces)	**1.42**	1.37	1.60	0.92	2.32
Sold					
Gold equivalent (ounces)	**43,925**	43,549	47,787	43,622	65,915
Gold (ounces)	**38,255**	37,984	43,008	38,781	57,770
Silver (million ounces)	**1.58**	1.21	1.43	1.35	2.10
Average realized prices					
Gold ($/ounce) [2]	**$ 1,182**	$ 1,305	$ 1,241	$ 1,156	$ 1,081
Silver($/ounce) [2]	**$ 4.34**	$ 6.12	$ 4.24	$ 4.24	$ 4.24
Total cash costs (per gold ounce) [1]					
Gold equivalent basis	**$ 777**	$ 887	$ 851	$ 944	$ 613
By-product basis	**$ 723**	$ 813	$ 801	$ 920	$ 540
All-in sustaining costs (per gold ounce) [1]	**$ 1,159**	$ 1,338	$ 1,304	$ 1,543	$ 985
Financial Data (in thousands of US dollars except per share amounts)					
Revenues	**$ 52,181**	$ 57,012	$ 59,439	$ 50,544	$ 71,404
Earnings from mine operations [3]	**1,818**	(65)	4,622	(5,795)	10,100
Net income (loss) [3]	**(190,083)**	(11,733)	(19,432)	(13,172)	(98,347)
Adjusted net income (loss) [1,3]	**(1,765)**	(8,139)	(3,476)	(8,761)	(38)
Adjusted EBITDA [1]	**11,729**	10,267	13,555	5,832	21,636
Basic income (loss) per share	**(1.01)**	(0.06)	(0.12)	(0.08)	(0.60)
Diluted income (loss) per share	**(1.01)**	(0.06)	(0.12)	(0.08)	(0.60)
Adjusted net income (loss) per share	**(0.01)**	(0.04)	(0.02)	(0.05)	(0.00)
Operating cash flows before working capital changes	**6,984**	5,539	11,205	(8,461)	20,682
Weighted average shares outstanding (basic)(000's)	**188,593**	187,928	166,410	164,511	162,751
Weighted average shares outstanding (diluted) (000's)	**188,593**	187,928	166,410	164,511	162,751

As at	31-Dec-16	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15
Assets					
Mining interests	**$ 577,920**	$ 807,270	$ 804,851	$ 794,601	$ 790,118
Total assets	**$ 677,817**	$ 918,057	$ 938,482	$ 892,204	$ 924,968
Liabilities					
Long-term liabilities	**$ 130,472**	$ 173,423	$ 172,796	$ 209,734	$ 162,427
Total liabilities	**$ 216,687**	$ 268,794	$ 281,055	$ 254,467	$ 276,092
Equity	**$ 461,130**	$ 649,263	$ 657,427	$ 637,737	$ 648,876

1 See "NON-GAAP measurements"

2 Average realized gold and silver prices reflect the impact of the gold purchase agreement with Sandstorm at the Black Fox mine and the silver purchase agreement with Silver Wheaton Caymans at the San Dimas mine (see "Other liquidity considerations ").

3 Adjusted net income (loss) for Q3, 2016, Q2 2016, Q1 2016 have been restated to present this measurement net of taxes. See "NON-GAAP measurements".

Q4 Highlights

- Total production of 45,794 gold equivalent ounces in Q4 2016 compared to 68,155 gold equivalent ounces in the same period of 2015. Gold production was 40,674 ounces in Q4 2016 compared to 59,156 ounces in Q4 2015, and silver production was 1.42 million ounces from San Dimas in Q4 2016 compared to 2.32 million ounces in Q4 2015. The decreased gold production was driven by lower grades and throughput at San Dimas due to the areas mined and lower mine productivity due to ventilation restrictions and lack of compliance to mine plans.

- The Company incurred total cash costs per gold equivalent ounce of $777 in Q4 2016 compared to $613 in Q4 2015 and on a by-product basis, total cash costs per gold ounce were $723 in Q4 2016 compared to $540 in Q4 2015. The higher unit costs were mainly due to lower production at San Dimas and Black Fox.

- San Dimas incurred total cash costs per gold equivalent ounce of $746 in Q4 2016 compared to $535 in Q4 2015 and on a by-product basis, total cash costs per gold ounce were $643 in Q4 2016 compared to $414 in Q4 2015. Gold equivalent production at San Dimas decreased to 28,286 ounces in Q4 2016 from 50,370 ounces in Q4 2015.

- Black Fox cash costs of $828 per ounce in Q4 2016 were similar to the cash costs of $834 per ounce in Q4 2015. Total production costs were similar between the two quarters, with higher sandfill costs driven by additional long hole stoping and increased labour costs due to severances offset by lower contractor and other costs. Gold production in Q4 2016 of 17,512 ounces was similar to Q4 2015 production of 17,785 ounces,

- Consolidated all-in sustaining costs per ounce were $1,159 in Q4 2016 compared to $985 in Q4 2015 mainly due to lower gold production from San Dimas and Black Fox.

Review of Fourth Quarter Consolidated Financial Information

Earnings from mine operations

(in thousands of U.S. dolla r s)		Three months ended December 31 2016		2015
Gold rev e nue	**$**	**45,315**	$	62,511
Silver rev e nue		**6,866**		8,893
Operatin g expenses		**(334,860)**		(42,555)
Deprecia t ion and depl e tion		**(15,503)**		(18,749)
Earnings from mine operations	**$**	**1,818**	$	10,100

The tabl e below set s out variances in the key drivers of earnings from mine operations for the three months ended December 31, 2016 compared with three months ended December 31, 2015:

(in thousands of U.S. dollars)		Three months ended December 31
Earnings from mine operations in 2015	$	10,100
Differences:		
Revenue		
Higher realized gold price		3,931
Lower ounces of gold sold		(21,111)
Higher realized silver price		140
Lower ounces of silver sold		(2,183)
Lower operating expenses		7,695
Lower depreciation and depletion		3,246
Earnings from mine operations as reported in 2016	**$**	**1,818**

- Gold revenue decreased in Q4 2016 compared to Q4 2015 because of a 34% decrease in gold ounces sold, partly offset by a higher realized sales price.
- For Q4 2016 San Dimas sold 1.58 million ounces of silver under the silver purchase agreement, 32% lower than Q4 2015 primarily because of lower production output.
- Operating expenses were $34.9 million in Q4 2016, $7.7 million lower than Q4 2015 mostly because of lower mine extraction at San Dimas, which more than offset higher labour costs. In addition, cost savings at Black Fox due to sourcing a significant portion of the mill feed from the low grade, lower cost stockpile contributed to the overall decrease in operating expenses.

A summary income statement for the fourth quarter follows:

(in thousands of U.S. dollars)	Three months ended December 31 2016	2015
Earnings from mine operations	**$ 1,818**	$ 10,100
Mining interest impairment charge	**(228,000)**	(104,000)
Exploration expenses	**(2,262)**	(599)
Share-based compensation	**(1,466)**	(2,045)
General and administrative expenses	**(3,160)**	(5,589)
Other charges	**(548)**	(845)
Transaction costs	**-**	(510)
Interest and finance expenses	**(1,845)**	(3,654)
Mark-to-market gain on convertible debentures and warrants	**12,507**	-
Other income (expenses)	**269**	3,283
Income tax recovery	**32,604**	5,512
Net loss	**($190,083)**	($98,347)

- Mining interest impairment charge is as described in Review of Annual Consolidated Financial Information.

- Share-based compensation include amortization on equity settled plans and marked-to- market adjustments on the value of units in the Company's cash-settled plans. The decrease in Q4 2016 expense compared to Q4 2015 reflects the fact that accretion from new grants during 2016 were calculated based on lower values compared to grants from prior year as a result of the decline in the Company's share price in 2016. Accretion from prior year grants also declined as a result of the vesting of certain tranches in prior quarters. In addition, expenses from marked-to-market cash-settled plans also decreased as a result of the decrease in share price during the quarter.

- General and administrative expenses decreased by were $2.4 million in Q4 2016 compared to Q4 2016 due mainly to lower performance bonuses accrued. Other charges also decreased due to severance and office closure costs recorded in Q4 2015 partly offset by slightly higher legal expenses relating to legal proceedings in Mexico.

The breakdown of general and administrative expenses and other charges follows:

		Three months ended December 31		
(in thousands of U.S. dollars)		**2016**		2015
General and administrative expenses				
Salaries and wages	**$**	**1,272**	$	3,879
Rent and office costs		**182**		197
Legal, accounting and consulting services		**533**		1,846
Directors fees and expenses		**431**		(165)
Other general and administrative expenses		**742**		(168)
	$	**3,160**	$	5,589
Other charges				
Legal expenses associated with proceedings in Mexico	**$**	**248**	$	135
Office closure costs and severance payments		**-**		710
Government charges		**300**		-
	$	**548**	$	845

- Interest and finance expense decreased by $1.8 million in Q4 2016 as compared to Q4 2015, primarily due to the repayment of the 6.5% convertible debentures during the first quarter of 2016 partly offset by higher interest on the revolving credit facility during the fourth quarter.

- The 5.75% convertible debentures issued in 2015 and the common share purchase warrants issued in conjunction with the equity offering in June 2016 are both accounted for at fair value and are marked-to-market each period based on the corresponding trading price. For Q4 2016, a gain of $12.5 million was recorded compared with $nil in Q4 2015.

- Included in other income (expenses) are foreign exchange gains. The Company recorded a foreign exchange gain of $0.2 million in Q4 2016 compared to a gain of $3.4 million in Q4 2015. Foreign exchange gains result primarily from the translation of Mexican peso denominated and Canadian dollar denominated asset retirement obligations offset by foreign exchange losses from the peso denominated VAT receivable. In Q4 2016 and 2015, both the Mexican peso and the Canadian dollar depreciated relative to the U.S. dollar (the Company's functional currency).

- The Company's income tax expense is detailed as follows:

(in thousands of U.S. dollars)		Three months ended December 31 2016		2015
Current tax expense				
Mining royalty at San Dimas	**$**	**835**	$	1,778
Other current tax		**(702)**		6,255
	$	**133**	$	8,033
Deferred tax expense (recovery)				
Withholding tax on intercompany interest	**$**	**791**	$	897
San Dimas change in tax basis		**(27,159)**		(4,636)
Mining royalty at San Dimas		**(5,978)**		(378)
Tax recovery on mining interest impairments		**-**		(6,661)
Other deferred tax		**(391)**		(2,767)
	$	**(32,737)**	$	($13,545)
Total	**$**	**($32,604)**	$	($5,512)

- San Dimas pays income taxes based on its Mexican peso financial statements, which includes foreign exchange and other income items (permanent differences) different than the U.S. dollar functional currency financial statements. In addition, foreign exchange losses are recognized in deferred income tax expense when the Mexican peso denominated deferred income tax balance is translated to the U.S. dollar reporting currency. In Q4 2015 this decreased deferred tax recovery by $7.3 million (2015-$1.8 million). The reduction in San Dimas tax shelters reflects the impact of this foreign exchange offset by inflation on the San Dimas' deferred income tax balances and the impact of higher book to tax depreciation. The volatility of the exchange rate between the Mexican peso and the U.S. dollar can result in significant adjustments to deferred tax expense.

Fourth Quarter Cash Flow Analysis

(in thousands of U.S. dollars)		Three months ended December 31 2016		2015
Cash flow:				
Provided by operating activities before working capital changes	**$**	**6,984**	$	20,682
Changes in non-cash working capital		**(1,959)**		17,429
Provided by operating activities		**5,025**		38,111
Used in investing activities		**(14,473)**		(39,257)
Provided by (used in) financing activities and other		**(1,836)**		3,643
Increase (decrease) in cash	**$**	**(11,284)**	$	2,497

Operating activities

Operating cash flows before working capital changes decreased in 2016 due to lower gold production and sales at both San Dimas and Black Fox. In addition, income tax installments by PEM were significantly higher in 2016 compared to 2015. Income tax installments are based on the most recent fiscal year in which PEM had earnings for tax purposes, which in this case was 2015.

The changes in non-cash working capital was a cash outflow of $2.0 million in Q4 2016 compared with an inflow of $17.4 million in Q4 2015. The outflow in 2016 was due mainly to the build-up of income tax and VAT receivable in Mexico, the payment of the annual union bonus at San Dimas and higher payments for trade and other payables. These were partly offset by decreases in inventory as more gold was sold than produced at San Dimas and Black Fox and Black Fox continued to deplete their low-grade stockpile. The inflow in Q4 2015 was attributed largely to the decrease in stockpile inventories at Black Fox and the usage of VAT receivables to offset corporate income taxes at San Dimas.

Investing activities

San Dimas capital expenditures in the fourth quarter of 2016 were $9.0 million, focused mainly on underground development, capitalized drilling, ventilation improvements, and equipment upgrades. This was below Q4 2015 capital expenditures, which included $8.0 million spent on the mill expansion.

Black Fox capital expenditures were $6.0 million in the quarter, mainly comprising underground development, capitalized drilling, and the tailings lift project.

Financing activities

Financing activities during Q4 2016 consisted primarily of capital lease and interest payments. In Q4 2015, the Company received $4.3 million in proceeds from the issuance of flow-through shares.

Selected Consolidated Quarterly Financial Data

The following table provides summary unaudited financial data for the last eight quarters:

(in thousands of U.S. dollars except for per share amounts)	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial Data								
Revenue	**$ 52,181**	$ 57,012	$ 59,439	$ 50,544	$ 71,404	$ 79,219	$ 67,371	$ 73,310
Total cost of sales	**(50,363)**	(57,077)	(54,817)	(56,339)	(61,304)	(61,394)	(56,293)	(61,840)
Earnings from mine operations	**$ 1,818**	($65)	$ 4,622	($5,795)	$ 10,100	$ 17,825	$ 11,078	$ 11,470
Impairment charges	**(228,000)**	-	-	-	(104,000)	-	-	-
Exploration expenses	**(2,262)**	(206)	(612)	(334)	(599)	(231)	(739)	(121)
Share- based compensation	**(1,466)**	(2,268)	(1,801)	(1,514)	(2,045)	(1,153)	(1,998)	(1,948)
General and administrative expenses	**(3,160)**	(4,015)	(4,013)	(3,614)	(5,589)	(3,771)	(4,619)	(6,065)
Other charges	**(548)**	(1,940)	(1,833)	(404)	(845)	(1,323)	(534)	-
Earnings (loss) from operations	**$ (233,618)**	($8,494)	($3,637)	($11,661)	($102,978)	$ 11,347	$ 3,188	$ 3,336
Transaction costs and other expenses	**-**	-	(828)	(386)	(510)	-	-	(3,906)
Interest and finance expense	**(1,845)**	(2,314)	(1,881)	(3,259)	(3,654)	(3,057)	(1,933)	(2,870)
Mark- to- market gain (loss)	**12,507**	2,756	(2,278)	(375)	-	9,000	(3,705)	8,205
Other income (expenses)	**269**	(484)	294	(650)	3,283	(5,347)	(213)	3,301
Income tax (expense) recovery	**32,604**	(3,197)	(11,102)	3,159	5,512	(17,346)	(4,081)	(4,482)
Net income (loss)	**$ (190,083)**	($11,733)	($19,432)	($13,172)	($98,347)	($5,403)	($6,744)	$ 3,584
Basic income (loss) per share	**($ 1.01)**	($0.06)	($0.12)	($0.08)	($0.60)	($0.03)	($0.04)	$ 0.02
Diluted income (loss) per share	**($ 1.01)**	($0.06)	($0.12)	($0.08)	($0.60)	($0.03)	($0.04)	$ 0.02

- When the Company reaches its annual threshold for deliveries under the silver purchase agreement, the Company realizes silver sales at spot prices, increasing both revenue and net income. Revenue in Q4 2016, Q3 2016 and Q3 2015 included $2.9 million, $0.1 million and $12.8 million, respectively, of silver sales at spot prices.

- In Q4 2016, an impairment of $111.0 million and $117.0 million on mining interests relating to San Dimas and Black Fox, respectively, were recorded.

- Exploration expenses reflect the costs incurred in the Company's exploration properties. As at December 31, 2015 Cerro del Gallo was reclassified as an exploration and evaluation asset and, the increase in Q4 2016 versus primarily reflects costs incurred with this project.

- In Q2 2015, silver sales were lower because of the loss of PEM's export license and higher in Q3 2015 because of the subsequent reinstatement.

- In Q4 2015, an impairment of $82.0 million and $22.0 million on mining interests relating to Black Fox and Cerro del Gallo, respectively, were recorded.

- Share-based compensation fluctuates based on the share price of the Company.
- Other charges includes legal costs associated with legal proceedings in Mexico (APA and NAFTA)
- Interest and finance expense varies quarterly depending on the amount of debt held by the Company.
- The 5.75% Convertible Debentures and common share purchase warrants are marked-to- market each quarter.
- Other income (expense) largely includes foreign exchange gains or losses from the revaluation of certain local denominated assets and liabilities at San Dimas and Black Fox to U.S. dollars.
- Income tax expense (recovery) is impacted by the effects of foreign exchange fluctuations on Mexican peso denominated non-cash deferred income taxes, which were significant in certain periods such as Q3 2015 and Q4 2016.

NON-GAAP MEASURES

The Company has included certain non-GAAP performance measures throughout this document. These performance measures are employed by management to assess the Company's operating and financial performance and to assist in business decision-making. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors and other stakeholders use this information to evaluate the Company's operating and financial performance; however, these non-GAAP performance measures do not have any standardized meaning. Accordingly, these performance measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Cash Costs Per Gold Ounce

The Company has included the non-GAAP performance measures of total cash costs per gold ounce on a gold equivalent ounce and by-product basis, throughout this document. The Company reports total cash costs on a production basis. In the gold mining industry, this is a common performance measure but does not have any standardized meaning. In presenting cash costs on a production basis, the Company follows the original recommendations of the Gold Institute Production Cost Standard. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The following table provides a reconciliation of total cash costs per gold equivalent ounce and total cash costs per gold ounce on a by-product basis to operating expenses (the nearest GAAP measure) per the consolidated financial statements.

(in thousands of U.S. dollars except for per ounce amounts)	Three months ended December 31 2016	Three months ended December 31 2015	Year ended December 31 2016	Year ended December 31 2015
Operating expenses per the consolidated financial statements	**$ 34,860**	$ 42,555	**$ 155,267**	$ 163,593
Share-based compensation included in operating expenses	**(364)**	(533)	**(1,536)**	(1,583)
Inventory movements and adjustments	**1,091**	(236)	**(1,429)**	3,284
Total cash operating costs	**$ 35,587**	$ 41,786	**$ 152,302**	$ 165,294
Ounces of gold produced	**40,674**	59,156	**156,052**	221,060
Gold equivalent ounces of silver produced	**5,120**	8,999	**20,087**	38,414
Gold equivalent ounces produced	**45,794**	68,155	**176,139**	259,474
Total cash costs per gold equivalent ounce	**$ 777**	$ 613	**$ 865**	$ 637
Total cash operating costs	**$ 35,587**	$ 41,786	**$ 152,302**	$ 165,294
By-product silver credits	**(6,185)**	(9,825)	**(24,879)**	(44,157)
Cash costs, net of by-product credits	**$ 29,402**	$ 31,961	**$ 127,423**	$ 121,137
Ounces of gold produced	**40,674**	59,156	**156,052**	221,060
Total by-product cash costs per gold ounce produced	**$ 723**	$ 540	**$ 817**	$ 548

Gold equivalent ounces of silver produced for the San Dimas mine are computed as silver ounces produced multiplied by the ratio of the average realized silver price to the average realized gold price during each quarter. The computations are shown below.

	Three months ended December 31 2016	Three months ended December 31 2015	Year ended December 31 2016	Year ended December 31 2015
Silver ounces produced (millions) (A)	**1.42**	2.32	**5.32**	8.30
Average realized silver price (B)	**$ 4.34**	$ 4.24	**$ 4.68**	$ 5.34
Average realized gold price (C)	**$ 1,182**	$ 1,081	**$ 1,221**	$ 1,136
Gold equivalent ounces of silver (A) x (B)/(C)	**5,120**	8,999	**20,087**	38,414

Management uses total cash costs per gold equivalent ounce and by-product cash costs per gold ounce to monitor the operating performance of its mines and to assess the attractiveness of potential acquisition targets. Management also believes these measures provide investors and analysts with useful information about the Company's underlying cash costs of operations and the impact of by-product credits on the Company's cost structure is a relevant metric used to understand the Company's operating profitability and ability to generate cash flow. When deriving the production costs associated with an ounce of gold, the Company includes byproduct credits as the Company considers that the cost to produce the gold is reduced as a result of the by-product sales supplementary to the gold production process, thereby allowing management and the Company's other stakeholders to assess the net costs of gold production.

All-in Sustaining Costs Per Gold Ounce

In June 2013, the World Gold Council ("WGC") published a guidance note on non-GAAP metrics available to companies in the gold industry to use to report their costs in an effort to encourage improved understanding of the total costs associated with mining an ounce of gold. The WGC is a market development organization for the gold industry and is an association whose membership comprises leading gold mining companies, including Primero. The WGC is not a regulatory industry organization. The WGC worked with its member companies to develop the definition of "all-in sustaining costs per gold ounce", which it believes to be helpful to investors, governments, local communities and other stakeholders in understanding the economics of gold mining.

The Company has adopted the reporting of "all-in sustaining costs per gold ounce". This metric is a non-GAAP performance measure. The Company reports this measure on a gold ounces produced basis.

The Company presents all-in sustaining costs because it believes that it more fully defines the total current cost associated with producing gold. The Company also believes that this measure allows investors and other stakeholders of the Company to better understand its costs of producing gold and better assess the Company's ability to generate cash flow from current operations. Management also uses all-in sustaining costs in evaluating the efficiency of its operations because it believes that IFRS measures, such as operating expenses, do not capture all of the costs incurred to discover, develop, and sustain gold production. As the measure seeks to reflect the full cost of gold production from current operations, it does not include capital expenditures attributable to development projects or mine expansions, exploration and evaluation costs attributable to growth projects, income tax payments and financing costs. In addition, the calculation of all-in sustaining costs does not include depreciation and depletion expense as it does not reflect the impact of expenditures incurred in prior periods. Even though, this measure is not representative of all of the Company's cash expenditures management believes that it is a useful measure in allowing it to analyze the efficiency of its current gold mining operations.

The following table provides a reconciliation of all-in sustaining costs per gold ounce to the consolidated financial statements for the three months and years ended December 31, 2016 and 2015:

	Three months ended December 31		Year ended December 31	
(in thousands of U.S. dollars except for per ounce amounts)	**2016**	2015 [1]	**2016**	2015 [1]
Cash costs, net of by-product credits	**$ 29,402**	$ 31,961	**$ 127,423**	$ 121,137
Corporate general and administrative expenses [1]	**4,626**	7,055	**21,851**	27,188
Reclamation cost accretion	**219**	303	**1,043**	1,122
Sustaining capital expenditures	**12,909**	18,928	**57,657**	62,762
All-in sustaining costs	**$ 47,156**	$ 58,247	**$ 207,974**	$ 212,209
Ounces of gold produced	**40,674**	59,156	**156,052**	221,060
All-in sustaining costs per gold ounce	**$ 1,159**	$ 985	**$ 1,333**	$ 960

[1] Comparative AISC figures for 2015 have been restated to reflect the exclusion of legal costs associated with proceedings in Mexico.

All-in sustaining costs adjust "cash costs, net of by-product credits", for corporate general and administrative expenses, reclamation cost accretion and sustaining capital expenditures. Corporate general and administrative expenses are included as a line item on the Company's statement of operations increased by the share-based compensation also included in the statements of operations. Sustaining capital expenditures and reclamation cost accretion are not line items on the Company's financial statements.

Sustaining capital expenditures are defined as those capital expenditures which do not increase annual gold ounce production at a mine site and exclude all expenditures at the Company's projects and certain expenditures at the Company's operating sites which are deemed expansionary in nature.

Reclamation cost accretion represents the growth in the Company's decommissioning liability due to the passage of time. This amount does not reflect cash outflows but it is considered to be representative of the periodic costs of reclamation and remediation. Reclamation cost accretion is included in finance expense in the Company's consolidated statements of operations and comprehensive income (loss).

The Company's exploration program comprises delineation drilling, exploration drilling, exploration drifting and regional exploration. The costs related to delineation drilling, exploration drilling and exploration drifting are included in all-in sustaining costs. The regional exploration program is designed to identify new mineral targets on the Company's extensive land holdings in order to grow production rather than sustain production.

Adjusted Net Income (Loss)

The Company has included the non-GAAP performance measures of adjusted net income (loss) and adjusted net income (loss) per share, throughout this document. Adjusted net income (loss) excludes the following from net earnings:

- Impairment charges (reversals) related to mining interests and other non-current assets;
- Foreign exchange impacts on its Mexican peso denominated deferred tax liabilities;
- Unrealized gains (losses) on non-hedge derivative instruments;
- Mark-to-market gains (losses) on convertible debenture;
- Gains/losses and other one-time costs relating to acquisitions/dispositions;
- Costs related to restructuring/severance arrangements, care and maintenance and demobilization costs, and other expenses not related to current operations.

Neither of these non-GAAP performance measures has any standardized meaning and is therefore unlikely to be comparable to other measures presented by other issuers. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The following table provides a reconciliation of adjusted net income to net income (the nearest GAAP measure) per the consolidated financial statements. All adjustments are shown net of tax.

	Three months ended December 31		Year ended December 31	
(in thousands of U.S. dollars except for per share amounts)	**2016**	2015	**2016**	2015
Net loss	**($190,083)**	($98,347)	**($234,420)**	($106,910)
Impairment charges, net of taxes	**188,873**	96,777	**188,873**	97,340
Impact of foreign exchange on deferred taxes	**7,370**	1,776	**26,580**	25,445
Adjustment to normalize inventory costs at San Dimas	**-**	-	**1,169**	-
Underground support initiative at San Dimas	**-**	-	**1,286**	-
Costs relating to NAFTA and APA claims	**186**	-	**2,392**	-
(Gain) loss on derivative liability	**-**	5	**(4)**	(1,478)
Mark-to-market (gain) loss on financial instruments	**(9,193)**	-	**(9,268)**	(13,500)
Transaction costs attributed to financial instruments	**-**	-	**171**	
Office closure costs, severance payments and other one-off charges	**1,082**	(249)	**1,082**	2,008
Transaction costs on issuance of convertible debentures	**-**	-	**-**	3,651
Adjusted net income (loss)	**($1,765)**	($38)	**($22,139)**	$ 6,556
Weighted average shares outstanding (000's)	**188,593**	162,751	**177,569**	162,341
Adjusted net income (loss) per share	**($0.01)**	($0.00)	**($0.12)**	$ 0.04

The effective rate used in calculating the after-tax amounts of the above reconciling items was 26.5% in 2016 and 2015, except for impairment charges which reflect the local enacted tax rate of the entities to which they relate.

EBITDA and Adjusted EBITDA

The Company calculates EBITDA as net income or loss for the period excluding interest and finance expense, income tax expense and depreciation and depletion. Adjusted EBITDA further excludes non-cash items including impairment charges, share-based compensation and mark-to-market gain or loss on convertible debentures and warrants. EBITDA and adjusted EBITDA does not have any standardized meaning prescribed by IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. EBITDA and adjusted EBITDA exclude the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate EBITDA and adjusted EBITDA differently.

A reconciliation between net loss for the period and EBITDA and adjusted EBITDA is presented below:

	Three months ended December 31		Year ended December 31	
(in thousands of U.S. dollars except for per share amounts)	**2016**	2015	**2016**	2015
Net loss	**($190,083)**	($98,347)	**($234,420)**	($106,910)
Income tax expense (recovery)	**(32,604)**	(5,512)	**(21,464)**	20,397
Interest and finance expense	**1,845**	3,654	**9,299**	11,514
Depreciation and depletion	**15,503**	18,749	**63,329**	77,238
EBITDA	**(205,339)**	(81,456)	**(183,256)**	2,239
Share-based compensation expense	**1,824**	2,578	**8,586**	8,938
Impairment charges	**228,000**	104,000	**228,000**	104,000
Mark-to-market gain on debentures & warrants	**(12,507)**	-	**(12,610)**	(13,500)
Other non-cash charges	**(249)**	(3,486)	**665**	(795)
Adjusted EBITDA	**$ 11,729**	$ 21,636	**$ 41,385**	$ 100,882

RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. During its normal course of operation, the Company enters into transactions with its related parties for goods and services. The Company's related party transactions are described in Note 23 to the Company's annual consolidated financial statements for the year ended December 31, 2016.

ACCOUNTING PRONOUNCEMENTS

The Company continually monitors the issuance by the International Accounting Standards Board (IASB) of new and revised accounting pronouncements which may have an impact on the accounting, presentation and disclosure of transactions underlying the Company's consolidated financial statements. New and revised pronouncements issued which may have an impact in the future on the Company are described in Note 2 to the Company's annual consolidated financial statements for the year ended December 31, 2016.

CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board. The significant accounting policies applied are described in Note 2 to the Company's annual consolidated financial statements for the year ended December 31, 2016.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities at the date of the financial statements. If in future such estimates and assumptions, which are based on management's best judgment at the date of the financial statements, deviate materially from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

a) Accounting estimates

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

(i) Estimated recoverable reserves and resources

The Company estimates its proven and probable mineral reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. Estimated ounces from mineral reserves and resources as well as estimates for exploration potential are included in the Company's estimation of future cash flows. These cash flows are based on factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in estimated ounces may impact the carrying value of assets, reclamation and remediation obligations, recognition of deferred tax amounts, depreciation and depletion, and impairment charges.

(ii) Determination of useful lives of property, plant and equipment

Property, plant and equipment are depreciated to their estimated residual value over the estimated useful life of the asset. Should the actual useful life of the property, plant or equipment vary, future depreciation charges may change.

(iii) Impairment charges

Non-current assets are tested for impairment if there is an indicator of impairment, and in the case of goodwill, at least annually. The impairment analysis requires the use of estimates and assumptions, including amongst others, long-term commodity prices, discount rates, length of mine life, future production levels, future operating costs, future capital expenditures and tax estimates. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances the carrying value of the assets may be impaired or a prior period's impairment charge reversed (with the exception of goodwill for which impairment charges are not reversed) with the impact recorded in the statements of operations and comprehensive income (loss).

(iv) Decommissioning liability

The Company's accounting policy for the recognition of accrued site closure costs requires significant estimates and assumptions such as the requirements of the relevant legal and regulatory framework, the magnitude of possible disturbance and the timing, extent and costs of required closure, rehabilitation activity and applicable discount rates. Changes to these estimates and assumptions may result in actual expenditures in the future differing from the amounts currently provided for. The decommissioning liability is periodically reviewed and updated based on the available facts and circumstances.

(v) Income taxes

The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period of change. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, the market price for gold and silver, production costs, quantities of proven and probable reserves, interest rates and foreign currency exchange rates.

(vi) Valuation of inventory

All inventory, other than supplies, is valued at the lower of average cost or net realizable value. Management is required to make various estimates and assumptions to determine the value of stockpiled ore, in-circuit inventories and doré inventories. The estimates and assumptions include surveyed quantities of stockpiled ore, in-circuit process volumes, gold and silver contents of both, costs to recover saleable ounces, recoverable ounces once processed and the price per ounce of gold or silver when ounces of gold and silver are expected to be recovered and sold.

(vii) Share-based compensation

The Company makes certain estimates and assumptions when calculating the fair values of share-based compensation granted. The significant estimations and assumptions include expected volatility, expected life, expected dividend rate and risk-free rate of return.

b) Accounting judgments

The critical judgment that the Company's management has made that has the most significant effect on the amounts recognized in the Company's consolidated financial statements is as follows:

(i) Functional currency

The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which an entity operates may not be clear. This can have a significant impact on the consolidated results of the Company.

(ii) Tax ruling in Mexico

On October 4, 2012, PEM received a ruling (the "APA Ruling") from the Mexican tax authority ("SAT") which confirmed the appropriate price for sales of silver under the Amended and Restated Silver Purchase Agreement. Under Mexican tax law, an APA Ruling is generally applicable for up to a five year period (which in the Company's case, covered the year in which the ruling application was filed, the immediately preceding year and the three subsequent years). The Company's APA Ruling covered the five years ending December 31, 2014.

In February 2016, PEM received a legal claim from the Mexican tax authority seeking to nullify the APA. The legal claim initiated does not identify any different basis for paying taxes, nor have any tax reassessments been received from the SAT. The Company intends to vigorously defend the validity of its APA. If the SAT is successful in retroactively nullifying the APA, the SAT may seek to audit and reassess PEM in respect of its sales of silver in connection with the Silver Purchase Agreement for 2010 through 2014. While PEM would have rights of appeal in connection with any reassessments the amount of additional taxes that the SAT could reassess PEM for the tax years 2010 through 2014 on the silver sold in connection with the Silver Purchase Agreement would likely have a material adverse effect on the Company's results of operations, financial condition and cash flows.

For the 2015 and 2016 tax year, the Company continued to record its revenue from sales of silver for purposes of Mexican tax accounting in a manner consistent with the APA on the basis that the applicable facts and laws have not changed. The Company's legal and financial advisors continue to believe that the Company has filed its tax returns compliant with applicable Mexican law. To the extent the SAT determines that the appropriate price of silver sales under the Silver Purchase Agreement is significantly different from the realized price and while PEM would have rights of appeal in connection with any reassessments, it is likely to have a material adverse effect on the Company's business, financial condition and results of operations.

FINANCIAL INSTRUMENTS

The Company's financial instruments at December 31, 2016 consist of cash, restricted cash, trade and other receivables, an equity investment in Fortune Bay, trade and other payables, and debt.

At December 31, 2016, the carrying amounts of cash, restricted cash, trade and other receivables, and trade and other payables are considered to be a reasonable approximation of their fair values due to their short-term nature. The Company's equity investment in Fortune Bay is designated as available for sale and is carried at fair value. Any unrealized gains on available for sale assets are recognized in OCI. Cumulative losses recorded under Accumulated Other Comprehensive income (loss) are reclassified from equity to the statement of operations and comprehensive income (loss) when there is objective evidence that the asset is impaired. Once an impairment is recognized, all subsequent losses are recognized in the statement of operations until the asset is derecognized. During the year ended December 31, 2016, the Company recorded an impairment loss of $nil (2015 – impairment of $0.6 million) in the statement of operations and comprehensive income (loss) and an unrealized gain of $1.1 million in Accumulated Other Comprehensive Loss relating to its investment in Fortune Bay. Fortune Bay is a publicly-listed company and the fair value is based on the trading price of its shares as at the date of the statement of financial position.

Derivative instruments - Embedded derivatives

Financial instruments and non-financial contracts may contain embedded derivatives, which are required to be accounted for separately at fair value as derivatives when the risks and characteristics of the embedded derivatives are not closely related to those of their host contract and the host contract is not carried at fair value. The Company regularly assesses its financial instruments and non-financial contracts to ensure that any embedded derivatives are accounted for in accordance with its policy. There were no material embedded derivatives requiring separate accounting at December 31, 2016 or December 31, 2015, other than those discussed below.

The convertible debentures assumed with the acquisition of Brigus were considered to contain an embedded derivative liability which was initially recognized at fair value using an option pricing model, and was subsequently measured at fair value each period during the term of the debentures. During the year ended December 31, 2016, an unrealized derivative gain of $nil (2015 – $1.5 million) was recognized in relation to this derivative liability.

The 5.75% convertible debentures issued by the Company on February 9, 2015 are considered to contain multiple embedded derivatives. These debentures and all related derivatives were accounted for as one instrument, which was initially recognized at fair value and are subsequently measured at fair value at the end of each period during the term of the debentures. During the year ended December 31, 2016, a mark to market gain of $9.0 million (2015 - $13.5 million) was recognized in relation to the debentures.

The common share purchase warrants issued by the Company on June 24, 2016 are considered derivative liabilities and were initially recognized at fair value and are subsequently measured at fair value at the end of each period during the term of the warrants. During the year ended December 31, 2016, a mark-to-market gain of $3.6 million (2015 - $nil) was recognized in relation to the common share purchase warrants.

Fair value measurements of financial assets and liabilities recognized on the Consolidated Statements of Financial Position

The categories of the fair value hierarchy that reflect the significance of inputs used in making fair value measurements are as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data.

The levels in the fair value hierarchy that the Company's financial assets and liabilities that are measured and recognized at fair value on a recurring basis are as follows:

Level1		**December 31 2016**		December 31 2015
Investment in Fortune Bay [(1)]	**$**	**1,160**	$	525
5.75% convertible debentures [(2)]		**52,500**		61,500
Warrant liability [(2)]		**1,066**		**-**

(1) Fortune Bay is a publicly-listed company and the fair value is based on the trading price of its shares as at the date of the statement of financial position.
(2) The fair value of the 5.75% convertible debentures and warrant liability are calculated using the market price on the TSX Exchange as at the date of the statement of financial position.

At December 31, 2016, there were no financial assets or liabilities measured and recognized on the consolidated statements of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy (December 31, 2015 – $nil).

Financial Instruments Risk

The following describes the types of financial instrument risks to which the Company is exposed and its objectives and policies for managing those risk exposures:

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Credit risk is primarily associated with trade and other receivables; however, it also arises on cash and cash equivalents and restricted cash. To mitigate exposure to credit risk on financial assets, the Company ensures non-related counterparties demonstrate minimum acceptable credit worthiness and ensures liquidity of available funds.

The Company closely monitors its financial assets and does not have any significant concentration of credit risk with non-related parties. The Company invests its cash and cash equivalents in highly rated financial institutions and sells its products exclusively to organizations with strong credit ratings. The credit risk associated with trade receivables at December 31, 2016 is considered to be negligible. Although the Company is entitled to VAT refunds there are 14 months of value added tax outstanding from the Mexican tax authorities (included in taxes receivable), the Company has reactivated the VAT refunds in compliance with Mexican law and supplied the additional information requested by the SAT. The Company expects the amounts to be refunded or offset against future income tax payments.

The Company's maximum exposure to credit risk at December 31, 2016 and 2015 is as follows:

		2016		2015
Cash and restricted cash	**$**	**24,452**	$	51,521
Trade and other receivables		**1,962**		1,793
Current and non-current taxes receivable		**41,838**		30,689
	$	**68,252**	$	84,003

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objectives and key guidelines for capital management, including management of long-term debt, are described in note 21 to the Company's annual consolidated financial statements for the year ended December 31, 2016 (see related discussion in the Liquidity section).

The Company expects to discharge its commitments as they come due from its existing cash balances, cash flow from operations, collection of receivables, draw down of its revolving credit facility and new borrowings.

The table below shows the Company's liquidity risk profile at December 31, 2016:

(in thousands of U.S. dollars)		Within 1 year		2-5 years		**Total**
Cash and cash equivalents	$	19,875	$	-	**$**	**19,875**
Trade and other payables		(31,781)		-		**(31,781)**
Revolving credit facility balance and interest		(50,811)		-		**(50,811)**
Finance lease liabilities		(1,202)		(406)		**(1,608)**
5.75% Convertible debentures and interest		(4,313)		(84,322)		**(88,635)**
Total		($68,232)		($84,728)		**($152,960)**

Refer to note 2(b) to the Company's annual consolidated financial statements for the Company's plans to address liquidity risk associated with the current working capital deficiency. On February 27, 2017, the Company announced that it has entered into a term sheet with Sprott for a $75.0 million three-year term Debt Facility which is intended to refinance the Company's existing $75.0 million RCF, of which $50.0 million is currently drawn, and partly for general corporate purposes. Although the Company believes that definitive agreements with Sprott will be finalized, there can be no assurance that the Company's efforts to obtain financing from Sprott or others will be successful.

The Company has entered into commercial leases on certain types of equipment and office space which have been classified as operating leases. These leases have terms of between 1 and 6 years. There are no restrictions placed on the Company as a result of entering into these leases. Some of the leases contain renewal or purchase options at the end of the lease. The total operating lease expense during the year ended December 31, 2016 was $0.8 million (2015 - $1.2 million).

Market risk

(i) Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. Exchange rate fluctuations may affect the costs incurred in the Company's operations. Gold is sold in U.S. dollars and costs are incurred principally in U.S. dollars, Canadian dollars and Mexican pesos. The appreciation of the Mexican peso or the Canadian dollar against the U.S. dollar can increase the costs of gold production and capital expenditures in U.S. dollar terms. The Company also holds cash that is denominated in Canadian dollars and Mexican pesos which are subject to currency risk. The Company's head office general and administrative expenses are mainly denominated in Canadian dollars and are translated to U.S. dollars at the average rate during the period and as such if the U.S. dollar appreciates as compared to the Canadian dollar, the costs of the Company would decrease in U.S. dollar terms. The Company is further exposed to currency risk through non-monetary assets and liabilities of its Mexican entities whose taxable profit or loss is denominated in a non-U.S. dollar currency. Changes in exchange rates give rise to temporary differences resulting in a deferred tax liability or asset with the resulting deferred tax charged or credited to income tax expense.

During the year ended December 31, 2016, the Company recognized a loss of $0.7 million on foreign exchange (2015 - gain of $0.1 million). Based on the above net exposures at December 31, 2016, a 10% depreciation or appreciation of the Mexican peso against the U.S. dollar would result in a $1.4 million increase or decrease in the Company's before-tax net earnings (loss) (2015 - $0.03 million); and a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in a $2.7 million increase or decrease in the Company's before-tax net earnings (loss) (2015 - $1.6 million).

The Company does not currently use derivative instruments to reduce its exposure to currency risk, however, management monitors its differing currency needs and tries to reduce its exposure to currency risks through exchanging currencies at what are considered to be optimal times.

(ii) Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The exposure to interest rates is monitored. The Company's exposure to interest rate risk is limited to the RCF which is subject to a floating interest rate. An increase or decrease of 100 basis points in the interest rate would result in a decrease or increase in profit before-tax of $0.02 million (assuming $50 million drawn on the revolving line of credit).

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in commodity prices. Profitability depends on sales prices for gold and silver. Metal prices are affected by numerous factors such as the sale or purchase of gold and silver by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the U.S. dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major producing countries throughout the world.

The table below summarizes the impact on profit before-tax for a 10% change in the average commodity price achieved by the Company during the year. The analysis is based on the assumption that the gold and silver prices move 10% with all other variables held constant.

		2016		2015
Gold price				
10% increase	**$**	**14,084**	$	18,091
10% decrease		**(14,084)**		(18,091)
Silver price				
10% increase	**$**	**222**	$	938
10% decrease		**(222)**		(938)

RISKS AND UNCERTAINTIES

Challenge to the 2012 APA

Overview

In February 2016 the Mexican tax authority, the SAT, initiated a proceeding seeking to nullify the APA which it issued to the Company in 2012. The APA confirmed the Company's basis for paying taxes on the price it realized for certain silver sales from 2010 to 2014. If the SAT's challenge is successful it is likely to have a material adverse effect on the Company's business, financial condition and results of operations.

Background

In 2004, affiliates of Goldcorp Inc. (Goldcorp) entered into a Silver Purchase Agreement with Silver Wheaton Corp. (Silver Wheaton) in connection with the San Dimas mine and two other mines in Mexico. Under the Silver Purchase Agreement, Goldcorp received cash and securities in exchange for an obligation to sell the amount of silver extracted from the mines at a price set forth in the Silver Purchase Agreement. In order to satisfy its obligations under the Silver Purchase Agreement, sales were made by Goldcorp through a non-Mexican subsidiary to a Silver Wheaton's subsidiary in the Cayman Islands. Upon Primero's acquisition of the San Dimas Mine, the Silver Purchase Agreement was amended and restated and Primero assumed all of Goldcorp's obligations with respect to the San Dimas concession under the Silver Purchase Agreement. Primero did not receive any of the initial consideration that was paid to Goldcorp under the Silver Purchase Agreement.

As amended and restated, the provisions of the Silver Purchase Agreement require that, on a consolidated basis, the Company sell to Silver Wheaton 100% of silver produced from the San Dimas concessions during a contract year (August 6th to the following August 5th), up to 6 million ounces and 50% of silver produced thereafter, at the lower of (i) the current market price and (ii) $4.04 per ounce plus an annual increase of 1% (the PEM Realized Price). In 2016, the contract price was $4.28 (2015 - $4.24) . The price paid by Silver Wheaton under the Silver Purchase Agreement represents the total value that the Company and its affiliates receive for the sale of silver to Silver Wheaton. The Silver Purchase Agreement continues indefinitely in respect of any silver produced from the San Dimas concessions.

The specific terms of the Silver Purchase Agreement require that the Company sell the silver through one of its non-Mexican subsidiaries, Silver Trading Barbados (STB), to Silver Wheaton's subsidiary, Silver Wheaton Caymans. As a result, the Company's Mexican subsidiary that holds the San Dimas concessions, Primero Empresa Minera (PEM), sells the required amount of silver produced from the San Dimas concessions to STB to allow it to fulfill its obligations under the Silver Purchase Agreement.

When the Company initially acquired the San Dimas mine, the sales from PEM to STB were made at the spot market price while the sales by STB to Silver Wheaton Caymans were at the contracted PEM Realized Price, which at that time was $4.04 per ounce. In order to reflect commercial realities and the effects of the Silver Purchase Agreement on the Company on a consolidated basis, PEM amended the terms of sales of silver between itself and STB and commenced to sell the amount of silver due under the Silver Purchase Agreement to STB at the PEM Realized Price. For Mexican income tax purposes PEM then recognized the revenue on these silver sales on the basis of its actual realized revenue, which was the PEM Realized Price.

APA

In order to provide the Company with stability and assurances that the SAT would accept the PEM Realized Price as the proper price to use to calculate Mexican income taxes, the Company applied for and received the APA from the SAT. The APA confirmed the PEM Realized Price would be used as the Company's basis for calculating taxes owed by the Company on the silver sold under the Silver Purchase Agreement. The Company believed that the function of an APA was to provide tax certainty and as a result made significant investments in Mexico based on that certainty. Under Mexican law, an advanced pricing agreement is valid for five years and therefore the APA represented the SAT's agreement to accept the PEM Realized Price as the basis for calculating taxes for the tax years 2010 through 2014.

Challenge to APA for 2010 – 2014 tax years

In February 2016, the SAT initiated a legal proceeding seeking to nullify the APA, however, the SAT has not identified an alternative basis in the legal claim for calculating taxes on the silver sold by PEM for which it receives the PEM Realized Price. The Company is an 'interested party' in this proceeding. If the SAT is successful in retroactively nullifying the APA, the SAT may seek to audit and reassess PEM in respect of its sales of silver in connection with the Silver Purchase Agreement for 2010 through 2014. While the amount of additional taxes that the SAT could charge PEM for the tax years 2010 through 2014 on the silver sold in connection with the Silver Purchase Agreement cannot be reasonably estimated at this time, it would likely have a material adverse effect on the Company's results of operations, financial condition and cash flows. PEM would have rights of appeal in connection with any reassessments.

The Company intends to vigorously defend the validity of the APA and has filed procedural and substantive responses to the claim. In addition, the Company intends to explore opportunities to minimize the potential impact on the Company in the event that the SAT is successful in its legal claim to nullify the APA, but there is no assurance that the Company will find or be able to implement a reasonable solution.

Primero Mining Corp.'s claim against the Mexican Government

On June 2, 2016, the Company has notified the Government of Mexico that the measures taken by the SAT against PEM in connection with the judicial proceeding seeking to retroactively nullify the APA, breached several provisions of Chapter 11 of the North American Free Trade Agreement (NAFTA) because these measures are arbitrary, discriminatory, unfair and inequitable. As more than 90 days have now passed since the provision of this notice, the Company has the option to commence international arbitration proceedings pursuant to Article 1119 of the NAFTA at a time of its choosing. During Q3 and Q4 2016 Primero engaged in dialogue with the Mexican Government regarding the Mexican tax authority's legal claim against the APA. The Company thus temporarily suspended its advancement of international arbitration against the Mexican Government in order to continue this dialogue.

Uncertain tax treatment for tax years following 2014

For the years ended December 31, 2016 and 2015, the Company continued to record its revenue from the sale of silver for purposes of Mexican tax accounting in a manner consistent with the APA on the basis that the applicable facts and laws have not changed. The Company's legal and financial advisors continue to believe that the Company has filed its tax returns compliant with applicable Mexican law.. Given the legal challenge by the SAT against the APA for the 2010-2014 tax years, the Company currently believes it is unlikely the SAT will agree to an Advance Pricing Agreement for the 2015-2019 tax years on terms similar to the challenged APA. While the amount of additional tax that the SAT could charge PEM for years following 2014 cannot be reasonably estimated at this time, to the extent the SAT determines that the appropriate price of silver sales under the Silver Purchase Agreement, for tax purposes, is significantly different from the PEM Realized Price and, while PEM would have rights of appeal in connection with any reassessments, it is likely to have a material adverse effect on the Company's business, financial condition and results of operations.

Class action

The Company has agreed to indemnify its directors and officers, and the directors and officers of its subsidiaries, to the extent permitted under corporate law, against costs and damages incurred as a result of lawsuits or any other judicial, administrative or investigative proceeding in which said directors or officers are sued as a result of their services. The directors' and officers are covered by directors' and officers' liability insurance.

In July 2016, the Company and certain officers were served with a class action lawsuit that was filed earlier in the year in the State of California seeking to recover damages for investors in the Company's common shares under the U.S. federal securities laws. The Company filed a motion to dismiss this action which was granted on January 30, 2017. The plaintiff's claims were dismissed without prejudice and the plaintiffs filed an amended complaint on February 27, 2017. The Company intends to vigorously defend this class action lawsuit.

Access to future financing

The Company's inability to achieve positive cash flows and obtain financing to satisfy its obligations would impact the Company's ability to achieve certain financial covenants under its existing RCF and Sprott term sheet in 2017. Any breach of covenant could result in an event of default under the revolving credit facility agreement or term sheet, which, if not addressed, would entitle the lender to demand repayment.

In addition to the legal challenges above, the Company's business contains significant risk due to the nature of mining, exploration, and development activities. For additional discussion of these and other risk factors, please refer to the Company's Annual Information Form for the year ended December 31, 2015, which is available on the Company's website at www.primeromining.com or on SEDAR at www.sedar.com, or to the Company's Annual Information Form for the year ended December 31, 2016, which is expected to be filed by March 31, 2017 and will be found under the Company's profile at www.sedar.com.

INTERNAL CONTROLS

The Company is required to maintain and evaluate the effectiveness of its internal control over financial reporting under National Instrument 52-109 in Canada ("NI 52-109") and under the Securities Exchange Act of 1934, as amended, in the United States. There is no assurance that the Company will be able to achieve and maintain the adequacy of its internal control over financial reporting as such standards are modified, supplemented, or amended from time to time, and the Company may not be able to ensure that it can conclude on an ongoing basis that its internal control over financial reporting is effective. The Company's failure to establish and maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of its financial statements. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could result in the Company's inability to meet its reporting obligations. There can be no assurance that the Company will be able to remediate material weaknesses, if any, identified in future periods, or maintain all of the controls necessary for continued compliance, and there can be no assurance that the Company will be able to retain sufficient skilled finance and accounting personnel. No evaluation can provide complete assurance that the Company's internal control over financial reporting will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported.

Disclosure Controls and Procedures

Disclosure controls and procedures form a framework designed to provide reasonable assurance that information disclosed publicly fairly presents in all material respects the financial condition, results of operations, and cash flows of the Company for the periods presented in this MD&A. The Company's disclosure controls and procedures framework includes processes designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to management by others within those entities to allow timely decisions regarding required disclosure.

The Company's management, with the participation of its CEO and CFO, has evaluated the design, operation and effectiveness of the Company's disclosure controls and procedures. Based on the results of that evaluation, the Company's CEO and CFO have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported, within the time periods specified in the securities legislation, and is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Controls Over Financial Reporting

The Company's management, with the participation of its CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed or under the supervision of, the CEO and CFO, and effected by the Company's Board of Directors, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that the Company's receipts and expenditures are made only in accordance with authorizations of management and the Company's Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

The effectiveness of Primero's internal control over financial reporting as of December 31, 2016 has been audited by KPMG LLP, Primero's independent auditors.

Management assessed the effectiveness of Primero's internal control over financial reporting as of December 31, 2016, based on the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, Management concluded that the Company's internal control over financial reporting was effective as of December 31, 2016.

Readers are cautioned that any controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Due to the inherent limitations in all controls systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements made and information contained in this MD&A constitute "forward-looking information" within the meaning of Canadian securities laws, for example, references to the possibility of acquiring producing or near-term producing precious metals assets and future gold and silver production. Forward –looking information and statements in this MD&A include those that relate to:

- the ability of the Company to expand production at the San Dimas and Black Fox mines,
- the ability of the Company to identify appropriate future acquisition opportunities, or if an opportunity is identified, to conclude a transaction on satisfactory terms,
- the ability of the Company to continue as a going concern.
- the Company's requirements for additional capital to repay amounts under the RCF and its ability to complete contemplated and future financings,
- the actual results of exploration activities, including the ability of the Company to continue the historical conversion of resources to reserves at the San Dimas mine, and the anticipated results of the exploration programs at Cerro del Gallo and the Black Fox Complex,
- actual results of reclamation activities at the San Dimas and Black Fox mines,
- the estimation or realization of Mineral Reserves and Resources,
- the timing and amount of estimated future production, capital expenditures and costs, including forecasted cash costs,
- the ability of the Company to manage its work force and its adherence to standard work practices as well and management of union agreements with each operating site,
- the timing of the development of new mineral deposits,
- future prices of precious and base metals,
- expected ore grades, recovery rates, and throughput,
- that plant, equipment or processes will operate as anticipated,
- the occurrence of accidents, labour disputes, road blocks and other risks associated with the mining industry,
- the ability of the Company to obtain governmental approvals or permits in connection with the continued operation and development of the San Dimas mine and the Black Fox Complex,
- the SAT's challenge to the APA ruling and the basis for calculating taxes on silver sold pursuant to the SPA for past and future periods,
- the ability of the Company to comply with environmental, safety and other regulatory requirements,
- expectations for the Cerro del Gallo project including the timing of activities to lead to a sell/construction decision,
- the completion of development or construction activities,
- expectations regarding currency fluctuations,
- title disputes relating to the Company's properties,
- the timing and possible outcome of pending litigation, and
- the ability of the Company to maintain effective control over financial reporting.

Such forward-looking information is necessarily based upon a number of factors and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The assumptions made by the Company in preparing the forward looking information contained in this MD&A, which may prove to be incorrect, include, but are not limited to: the expectations and beliefs of management; the specific assumptions set forth above in this MD&A; assumptions relating to the existence of companies that may wish to dispose of producing or near-term producing precious metals assets; that labour disruptions are positively resolved, there are no significant disruptions affecting operations, whether due to supply disruptions, damage to or loss of equipment, whether as a result of natural occurrences including flooding, political changes, title issues, intervention by local landowners, loss of permits, or environmental concerns or otherwise; that there are no disruptions in the supply of power from the Las Truchas power generation facility, whether as a result of damage to the facility or unusually limited amounts of precipitation; that development and expansion at San Dimas and Black Fox proceeds on a basis consistent with current expectations and the Company does not change its development and exploration plans; that the Cerro del Gallo and Grey Fox projects will be developed in accordance with the Company's plans; that the exchange rate between the Canadian dollar, Mexican peso and the United States dollar remains consistent with current levels; that prices for gold and silver remain consistent with the Company's expectations; that prices for key mining supplies, including labour costs and consumables, remain consistent with the Company's current expectations; that production meets expectations; that the Company's current estimates of mineral reserves, mineral resources, exploration potential, mineral grades and mineral recovery are accurate; that the Company identifies higher grade veins in sufficient quantities of minable ore in the Central Block and Sinaloa Graben; that the geology and vein structures in the Sinaloa Graben are as expected; that the Company completes the proposed tunnels and access routes; that the ratio of gold to silver price is maintained in accordance with the Company's expectations; that there are no material variations in the current tax and regulatory environment; that the APA is not nullified and that the Company pays taxes on a similar basis for future periods; that Mexican tax laws relative to the APA ruling remain unchanged; that the Company will continue to pay taxes in Mexico based on realized prices of silver; that the Company will receive required permits and access to surface rights; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment within Mexico will continue to support the development of environmentally safe mining projects.

No assurance can be given as to whether these assumptions will prove to be correct. These assumptions should be considered carefully by investors. Investors are cautioned not to place undue reliance on the forward-looking information and statements or the assumptions on which the Company's forward-looking information and statements are based.

Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Such risks include, but are not limited to: the volatility of prices of gold and other metals; uncertainty of mineral reserves, mineral resources, exploration potential, mineral grades and mineral recovery estimates; uncertainty of future production, exploration and development plans; insufficient capital to complete development and exploration plans; risks associated with developing the Cerro del Gallo and Grey Fox projects; currency fluctuations; financing of additional capital requirements; cost of exploration and development programs; inability to complete proposed tunnels and access routes or other development; mining risks, including unexpected formations and cave-ins, which delay operations or prevent extraction of material; risks associated with foreign operations; governmental and environmental regulation; tax law changes; the ability of the Company to continue to pay taxes based on the realized price of silver; the volatility of the Company's stock price; landowner dissatisfaction and disputes; delays in permitting; damage to equipment; labour disruptions; and other interruptions. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements.

Investors are advised to carefully review and consider the risk factors identified in this MD&A under the heading " *Risk and uncertainties* ", and in the Company's Annual Information Form for the year ended December 31, 2015 as filed on SEDAR as well as the Company's Annual Information Form for the year ended December 31, 2016 which is expected to be filed by March 31, 2016, for a discussion of the factors that could cause the Company's actual results, performance and achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements. Investors are further cautioned that the foregoing list of assumptions and risk factors is not exhaustive and it is recommended that prospective investors consult the more complete discussion of the Company's business, financial condition and prospects that is included in this MD&A. The forward-looking information and statements contained in this MD&A are made as of the date hereof and, accordingly, are subject to change after such date.

The Company does not undertake to update any forward-looking information, except as, and to the extent, required by applicable securities laws. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

CAUTIONARY NOTE FOR UNITED STATES INVESTORS

As a British Columbia corporation and a "reporting issuer" under Canadian securities laws, the Company is subject to certain rules and regulations issued by Canadian Securities Administrators. The Company is required to provide detailed information regarding its properties including mineralization, drilling, sampling and analysis, on security of samples and mineral reserve estimates under Canadian National Instrument 43-101 ("NI 43-101"). The United States Securities and Exchange Commission applies different standards than the standards under NI 43-101 in order to classify mineralization as a reserve. Accordingly, mineral reserve estimates contained in this MD&A may not qualify as "reserves" under SEC standards. Further, the Company describes any mineral resources associated with its properties utilizing terminology such as "measured resources", "indicated resources" or "inferred resources" which are terms recognized by Canadian regulators under NI 43-101 but not recognized by the United States' Securities and Exchange Commission. United States investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves. These terms have a greater amount of uncertainty as to their existence and feasibility than reserves recognized by the United States Securities and Exchange Commission. Further, "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, United States investors are also cautioned not to assume that all or any part of the "inferred resources" exist. United States investors are also cautioned that disclosure of exploration potential is conceptual in nature by definition and there is no assurance that exploration of the mineral potential identified will result in any category of NI 43-101 mineral resources being identified.

On behalf of the Board

Joseph F. Conway
Vice Chairman, President & CEO

EXHIBIT 99.4

CERTIFICATION

I, Joseph Conway, certify that:

(1) I have reviewed this Annual Report on Form 40-F of Primero Mining Corp. for the year ended December 31, 2016.

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report.

(4) The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

(5) The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the issuer's independent registered public accounting firm and the audit committee of issuer's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2017

By: /s/ Joseph Conway
Name: Joseph Conway
Title: Interim President and Chief Executive Officer

EXHIBIT 99.5

CERTIFICATION

I, Kevin Jennings, certify that:

(1) I have reviewed this Annual Report on Form 40-F of Primero Mining Corp. for the year ended December 31, 2016.

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report.

(4) The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

(5) The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the issuer's independent registered public accounting firm and the audit committee of issuer's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2017

By: /s/ Kevin Jennings
Name: Kevin Jennings
Title: Chief Financial Officer

EXHIBIT 99.6

CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph Conway, Interim President and Chief Executive Officer of Primero Mining Corp. (the "Company"), hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(i) the Annual Report on Form 40-F of the Company for the fiscal year ended December 31, 2016 (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ Joseph Conway
Name:	Joseph Conway
Title:	Interim President and Chief Executive Officer
Date:	March 31, 2017

EXHIBIT 99.7

CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin Jennings, Chief Financial Officer of Primero Mining Corp. (the "Company"), hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(i) the Annual Report on Form 40-F of the Company for the fiscal year ended December 31, 2016 (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ Kevin Jennings
Name:	Kevin Jennings
Title:	Chief Financial Officer
Date:	March 31, 2017

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Canada

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Consent of Independent Registered Public Accounting Firm

The Board of Directors of Primero Mining Corp.

We consent to the use in this Annual Report on Form 40-F of:

- Our Independent Auditors' Report of Registered Public Accounting Firm, dated March 14, 2017, on the consolidated financial statements of Primero Mining Corp. (the "Company") comprising the consolidated statements of financial position of the Company as at December 31, 2016 and December 31, 2015, the consolidated statements of operations and comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2016 and December 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information, and
- Our Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting, dated March 14, 2017, on the effectiveness of the Company's internal control over financial reporting as of December 31, 2016

each of which is incorporated by reference in this Annual Report on Form 40-F of the Company for the fiscal year ended December 31, 2016.

Our Independent Auditors' Report of Registered Public Accounting Firm, dated March 14, 2017, contains an emphasis of matter (explanatory) paragraph which states that the Company's cash and liquidity position may not sufficient to meet its obligations as they become due. This condition along with other matters as set forth in Note 2(b) in the consolidated financial statements, indicate the existence of material uncertainties that cast substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 31, 2017
Toronto, Canada

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Primero Mining Corp. ("Primero") for the year ended December 31, 2016, and any amendments thereto (the "Form 40-F"), I, John Morton Shannon, P.Geo., hereby consent to the use of my name in connection with the references to and summaries of scientific and technical information relating to Primero's mineral properties (collectively, the "Incorporated Information") and to the inclusion of the Incorporated Information in the Annual Information Form filed as an exhibit to the Form 40-F and incorporated by reference therein.

Yours very truly,

/s/ *John Morton Shannon*

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John Morton Shannon, P.Geo.

Dated: March 31, 2017

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Primero Mining Corp. ("Primero") for the year ended December 31, 2016, and any amendments thereto (the "Form 40-F"), I, Rodney Webster, M.AIG, hereby consent to the use of my name in connection with the references to and summaries of scientific and technical information relating to Primero's mineral properties (collectively, the "Incorporated Information") and to the inclusion of the Incorporated Information in the Annual Information Form filed as an exhibit to the Form 40-F and incorporated by reference therein.

Yours very truly,

/s/ Rodney Webster

Rodney Webster, M.AIG

Dated: March 31, 2017

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Primero Mining Corp. ("Primero") for the year ended December 31, 2016, and any amendments thereto (the "Form 40-F"), I, Timothy Carew, P.Geo., hereby consent to the use of my name in connection with the references to and summaries of scientific and technical information relating to Primero's mineral properties (collectively, the "Incorporated Information") and to the inclusion of the Incorporated Information in the Annual Information Form filed as an exhibit to the Form 40-F and incorporated by reference therein.

Yours very truly,

/s/ *Timothy Carew*

Timothy Carew, P.Geo.

Dated: March 31, 2017

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Primero Mining Corp. ("Primero") for the year ended December 31, 2016, and any amendments thereto (the "Form 40-F"), I, Thomas Dyer, P.Eng., hereby consent to the use of my name in connection with the references to and summaries of scientific and technical information relating to Primero's mineral properties (collectively, the "Incorporated Information") and to the inclusion of the Incorporated Information in the Annual Information Form filed as an exhibit to the Form 40-F and incorporated by reference therein.

Yours very truly,

/s/ Thomas Dyer

Thomas Dyer, P.Eng.

Dated: March 31, 2017

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Primero Mining Corp. ("Primero") for the year ended December 31, 2016, and any amendments thereto (the "Form 40-F"), I, Peter Hayward, F. AusIMM, hereby consent to the use of my name in connection with the references to and summaries of scientific and technical information relating to Primero's mineral properties (collectively, the "Incorporated Information") and to the inclusion of the Incorporated Information in the Annual Information Form filed as an exhibit to the Form 40-F and incorporated by reference therein.

Yours very truly,

/s/ *Peter Hayward*

Peter Hayward, F.Aus/MM

Dated: March 31, 2017

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Primero Mining Corp. ("Primero") for the year ended December 31, 2016, and any amendments thereto (the "Form 40-F"), I, John Skeet, F. Aus/MM, hereby consent to the use of my name in connection with the references to and summaries of scientific and technical information relating to Primero's mineral properties (collectively, the "Incorporated Information") and to the inclusion of the Incorporated Information in the Annual Information Form filed as an exhibit to the Form 40-F and incorporated by reference therein.

Yours very truly,

/s/ *John Skeet*

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John Skeet, F.Aus/MM

Dated: March 31, 2017

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Primero Mining Corp. ("Primero") for the year ended December 31, 2015, and any amendments thereto (the "Form 40-F"), I, Gabriel Voicu, P.Geo., hereby consent to the use of my name in connection with the references to and summaries of scientific and technical information relating to Primero's mineral properties (collectively, the "Incorporated Information") and to the inclusion of the Incorporated Information in the Annual Information Form filed as an exhibit to the Form 40-F and incorporated by reference therein.

Yours very truly,

/s/ Gabriel Voicu

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Gabriel Voicu, P.Geo.

Dated: March 31, 2017

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Primero Mining Corp. ("Primero") for the year ended December 31, 2016, and any amendments thereto (the "Form 40-F"), I, Harold Brisson, PhD, Eng. (OIQ), hereby consent to the use of my name in connection with the references to and summaries of scientific and technical information relating to Primero's mineral properties (collectively, the "Incorporated Information") and to the inclusion of the Incorporated Information in the Annual Information Form filed as an exhibit to the Form 40-F and incorporated by reference therein.

Yours very truly,

/s/ *Harold Brisson*

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Harold Brisson, PhD, Eng. (OIQ).

Dated: March 31, 2017

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Primero Mining Corp. ("Primero") for the year ended December 31, 2016, and any amendments thereto (the "Form 40-F"), I, Patrick McCann, P.Eng., hereby consent to the use of my name in connection with the references to and summaries of scientific and technical information relating to Primero's mineral properties (collectively, the "Incorporated Information") and to the inclusion of the Incorporated Information in the Annual Information Form filed as an exhibit to the Form 40-F and incorporated by reference therein.

Yours very truly,

/s/ *Patrick McCann*

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Patrick McCann, P.Eng.

Dated: March 31, 2017

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Primero Mining Corp. ("Primero") for the year ended December 31, 2016, and any amendments thereto (the "Form 40-F"), I, Dave Laudrum, P.Geo., hereby consent to the use of my name in connection with the references to and summaries of scientific and technical information relating to Primero's mineral properties (collectively, the "Incorporated Information") and to the inclusion of the Incorporated Information in the Annual Information Form filed as an exhibit to the Form 40-F and incorporated by reference therein.

Yours very truly,

/s/ *Dave Laudrum*

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Dave Laudrum, P.Geo.

Dated: March 31, 2017