ANNUAL REPORT 2016

AVINO

SILVER & GOLD MINES LTD.

Resilience. Innovation. Enterprise.

IN MEMORIAM **LOU WOLFIN**

Mr. Wolfin was known as an industry maverick, not only for his bold move into Mexico but also for his exploration of Nevada's Cortez Gold Trend.

It is with great sadness *that we announce the passing of Mr. Louis Wolfin, former President and CEO of Avino Silver & Gold Mines, on March 3, 2017. He was 85 years old.*

Mr. Wolfin, who founded the Company in 1968, was a Canadian pioneer in establishing a mining partnership in Mexico following the Mexican Revolution. He brought the Avino silver mine back into production in 1974, which operated continuously for 27 years. He retired from the Company in 2003.

Mr. Wolfin enjoyed an active, successful career in finance, exploration and mining and was highly respected in the industry. He began his career in Toronto in the early 1950s, working in the brokerage industry and learning from the ground up. He later moved to Vancouver to become an arbitrage trader and then a broker. In 1960 he purchased a seat on the Vancouver Stock Exchange and opened his own brokerage house. In the mid-1960s he helped fund a number of exploration companies before financing and opening Avino.

Mr. Wolfin was known as an industry maverick, not only for his bold move into Mexico but also for his exploration of Nevada's Cortez Gold Trend in the mid-1980s and his revival of the Bralorne gold mine in the 1990s. He will be missed by family, friends and his extensive network of close business associates.

Contents

AVINO

A History of Resilience, Innovation and Enterprise

Avino Silver & Gold Mines specializes in re-opening past producing mines. We currently operate two silver mines in Mexico with a gold project under development in British Columbia. Over its nearly 50-year history, the company's pioneering approach has fostered resilience, innovation, enterprise and long-term relationships while shaping Avino into one of the industry's lowest-cost silver producers.

Our Vision at Avino

Avino's vision is to become a mid-tier silver producer, thereby generating long-term wealth for shareholders while empowering our workforce, host communities and all other stakeholders.

Our Approach

We will realize our vision by achieving profitable organic growth at our operations in both Mexico and Canada while at all times adhering to our core values and operating philosophy.

2016 Milestones

- Revenues of $39.9 million
- Net income of $2.0 million, with EPS of $0.05
- Generated mine operating income of $14.5 million
- Declared commercial production at the Avino Mine April 1
- Produced 2,679,334 ounces of silver equivalent
- Produced 7,119 ounces of gold
- Completed planning/engineering for plant and mine expansion to increase throughput by an estimated 70%
- Completed a new, 5 megawatt capacity power line to the mine site
- Positive results from an exploration drill program between San Luis and Elena Tolosa at the Avino Mine
- Completed an updated NI 43-101 resource estimate for the Avino and San Gonzalo mines and oxide tailings resource
- Completed an updated NI 43-101 resource estimate for the Bralorne Gold Property

Our Investment Profile –
Why Own Avino?

Growth & Profitability
Increasing revenues, low costs, high margins

Growing Resources
Silver, gold and copper in Mexico, gold in Canada

Assets/Geographical Diversity
Two mines in Mexico, one under development in Canada

Longevity
Nearly 50 years in both Mexico & Canada

Progressive Culture
Bold, nimble, pioneering, flexible, fostering creative solutions

Exploration Potential
Significant undeveloped brownfield ground in both Mexico and Canada

Skin in the Game
Management holds a large ownership position in the Company

Community Support
First Nations engagement, hiring local talent, building infrastructure—we're good neighbours

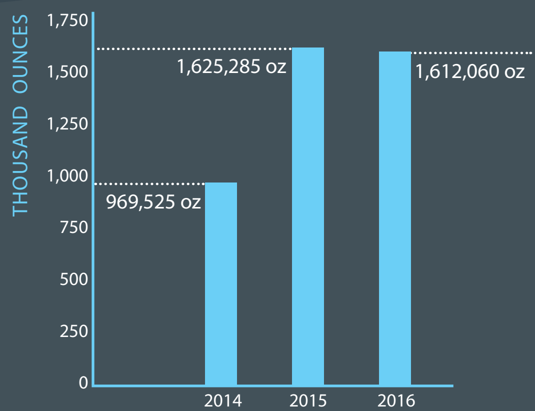
Capital Management
Exceptional share structure for a producer

Capital Investment
Latest technology, equipment, training

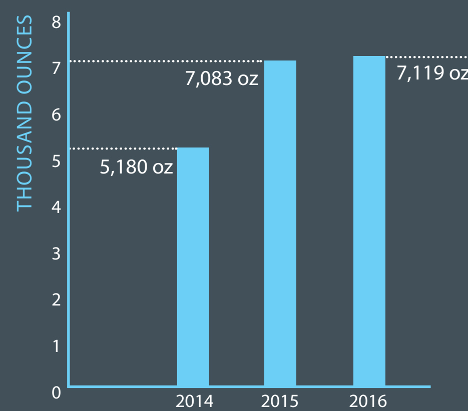
Hiring the Best
Securing top talent to direct the next phase of growth

2016 Production Highlights

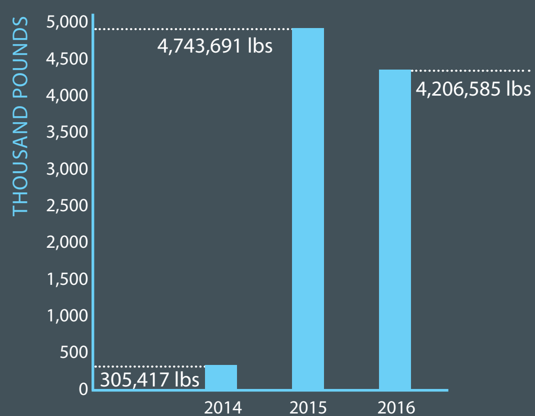
Silver Production



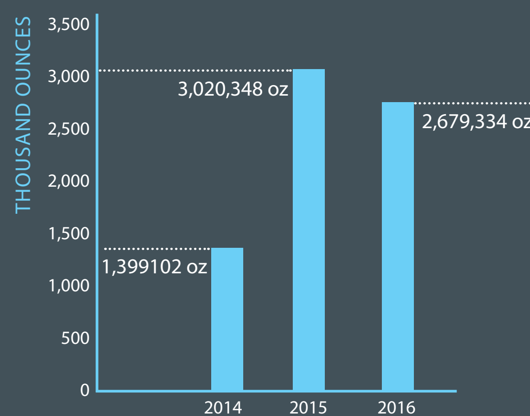
Gold Production



Copper Production



Silver Eq. Production



	2016	2015	Change
Total Mill Feed (dry tonnes)	544,336	517,887	5%
Avino Mine Feed Grade Silver (g/t)	67	65	3%
Avino Mine Feed Grade Gold (g/t)	0.42	0.29	44%
Avino Mine Feed Grade Copper (%)	0.50	0.62	20%
San Gonzalo Feed Grade Silver (g/t)	267	279	4%
San Gonzalo Feed Grade Gold (g/t)	1.25	1.48	16%

Message from the CEO


David Wolfin, **President and CEO**

I am pleased to report that we have completed one of the most important years in Avino's long history. Through 2016 we continued to deliver strong financial and operating results with consistent silver equivalent production and solid performance from our Avino and San Gonzalo mines, the cornerstone assets from which we are growing this company.

We officially commissioned our second silver mine in Mexico, generated record revenues and earnings, strengthened our partnership with Samsung and advanced our tailings recovery project. We also completed important new resource estimates for our Avino and San Gonzalo mines and our Oxide Tailings Resource in Mexico while advancing our Bralorne Gold Mine in Canada. In short, it has been a year of progress, milestones and growth.

I believe we remain resilient and most creative when we build alliances with top talent, nurture those connections and let bright people do their jobs in an open, encouraging atmosphere.

Our focus for 2017 remains consistent operating results and moving forward with our plans for plant and mine expansion to increase throughput capacity at the processing plant by an estimated 70%. We will also continue advancing our Oxide Tailings Resource project along with our expansion program at Bralorne.

Towards advancement of the Oxide Tailings Resource, we delivered a positive Preliminary Economic Assessment (PEA) for this asset in April of 2017. The PEA will enable us to plan our next steps, identify any necessary additional studies and move forward in advancing this resource.

Our key achievements for 2016 include revenues of $39.9 million, exceeding those of 2015 by 109%. Net income rose to $2 million, 79% higher than the $483,000 earned in 2015. Production dropped slightly for silver, gold and copper, a result of temporary challenges with grade and recoveries, primarily in the Avino Mine. We anticipate resolving these issues in the first half of 2017 and expect a year of improved production overall. We also achieved further increases in production capacity, and a long-term $16.1 million expansion strategy to reach our goal of becoming a low-cost and diversified mid-tier silver producer.

All of these developments align directly with this year's theme of *resilience, innovation and enterprise*. Throughout our 49 years of operation, these ideals have helped us weather adversity, capitalize on opportunities and grow through a wide range of market conditions. Resilience, innovation and enterprise means we work creatively, welcoming unconventional solutions, keeping the company nimble and flexible while fostering strong relationships to help us solve problems, engage communities and inspire our work force.

Innovation and enterprise mean that we take pride in our reputation as trailblazers, beginning with the company's 1968 inception as one of the first junior miners to establish a joint venture in Mexico. More recently, we hired local labor and talent to rebuild and modernize our facilities in Mexico for a fraction of normal industry costs. Over the past two years, we have forged a groundbreaking partnership with Samsung, one of the world's leading companies, to develop our Mexico operations.

At our Bralorne Gold Mine, we made significant progress towards bringing this historic mine into production once again. We completed an updated resource estimate that increased both the tonnage and gold ounces while submitting a number of permit applications to resume mining and processing. We are developing a new mining plan, which may include more efficient long hole mining. In addition, we are modernizing the mining fleet, adding new equipment. We also developed a unique industry/education partnership with British Columbia First Nations, providing training and excellent job opportunities for First Nations youth in the Bralorne, Lillooet and Kamloops regions.

As you can see, a key tool of our success has been relationships. If I were to pinpoint one key element that sets us apart in the industry, it would be the way we have built relationships throughout our history. My own personal philosophy is to keep management doors open and accessible to anyone with a great idea, a problem or simply a conversation that may turn into a brilliant opportunity. I believe we remain resilient and most creative when we build alliances with top talent, nurture those connections and let bright people do their jobs in an open, encouraging atmosphere. I think the results of this policy speak for themselves.

Looking ahead, we are heartened by strengthening fundamentals in silver. According to the Silver Institute's World Silver Survey 2016, silver slipped into its second-largest physical supply deficit since 2008. Key demand drivers include solar panels, investor purchases and the world's growing middle class, particularly in China. As more people with disposable income purchase the tools of technology such as cellphones, laptop computers and tablets, silver demand for manufacturing will continue to grow. In addition, new uses for silver are expanding, especially in medicine, aerospace and electronics.

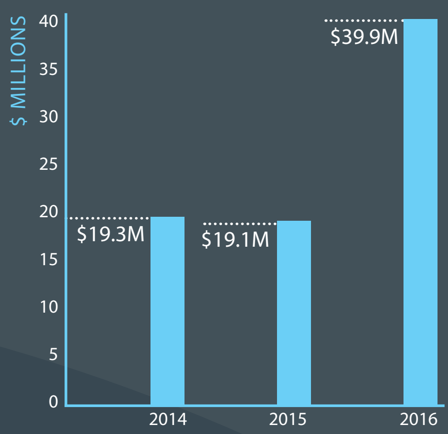
We welcomed a number of new and very talented people to the Avino team in 2016, both in Canada and Mexico. They have synthesized remarkably well with our long-standing veteran staff, and I see the very positive changes and growth occurring quickly. I'm most gratified with this exciting transition. We can look forward to many exciting years and developments to come.

ON BEHALF OF THE
BOARD OF DIRECTORS

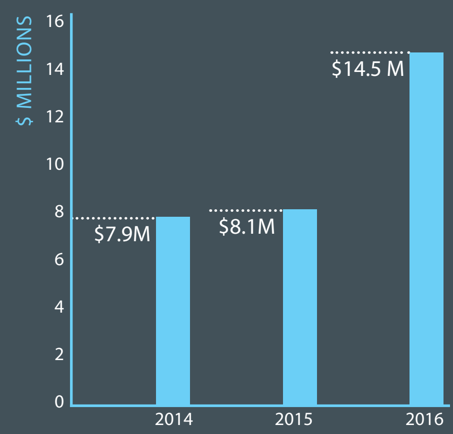
David Wolfin,
President and CEO

2016 Financial Highlights

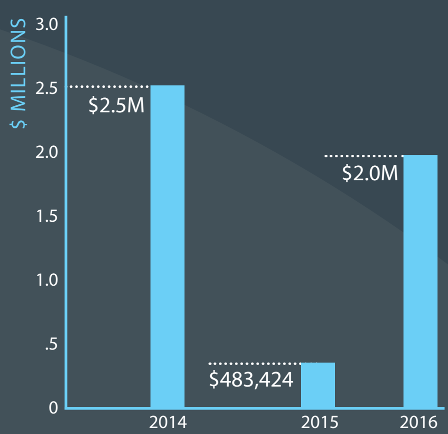
Revenues



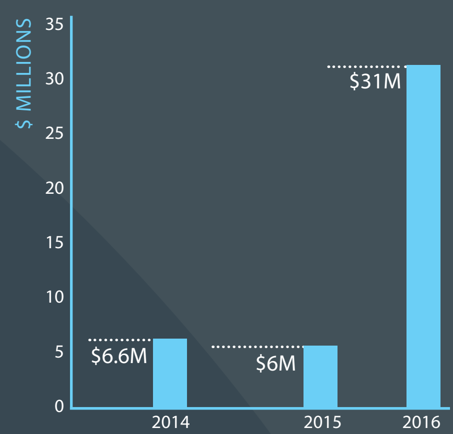
Mine Operating Income



Net Income



Working Capital



	2016	2015	2014	Change 2015-16
Revenues	$ 39,895,591	$ 19,082,847	$ 19,297,953	109%
Mine Operating Income	$ 14,503,700	$ 8,121,153	$ 7,904,549	79%
Net Income	$ 1,992,479	$ 483,424	$ 2,514,169	312%
Cash	$ 15,816,628	$ 7,475,134	$ 4,249,794	291%
Working Capital	$ 31,293,019	$ 6,003,557	$ 6,617,877	421%

Message from the CFO

Malcolm Davidson, Chief Financial Officer

The past year generated significant progress and improved results on a number of levels. On an overall financial basis, Avino completed the year in a strong position and well prepared for its next phase of growth. Management has identified markers for improvement in 2017 and beyond, and we believe we are on track to continue our growth trajectory while remaining increasingly profitable and in a sound cash position.

Key results for 2016 included revenues of $39.9 million, a 109 percent increase over 2015 and largely the result of over $22 million generated by the sale of Avino Mine bulk copper/silver/gold concentrate. Mine operating income for 2016, at $14.5 million, increased 79 percent over the 2015 figure of $8.1 million. Net income, at $2 million for 2016, was 312% higher than 2015. As we increase production in 2017 and become more efficient, we expect results will continue to improve.

We raised $15 million in a bought-deal financing in November 2016. Working capital at year end totaled $31.3 million, up 421 percent from year end 2015.

One of the primary challenges with our rapid growth has been to maintain our efficient cost structure. All-in Sustaining Cash Costs (AISC) per silver equivalent ounce for the year were CAD$13.70, compared with CAD$12.14 per ounce in 2015. The higher costs reflect our expanding operations as we ramp up and prepare for what we expect will be significant growth over the next two years. This growth affects fees and salaries, office expenses, investor relations costs and regulatory and compliance fees and other items. As we monitor these expenses and adapt to our growth, we expect to make our operations more efficient and cost-effective.

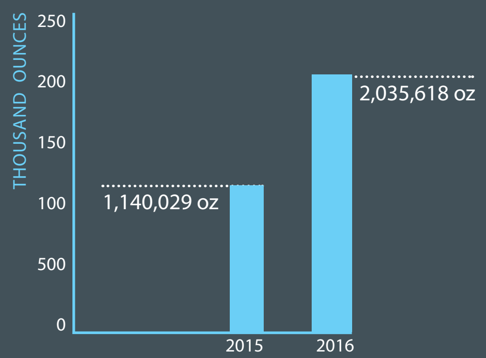
Our AISC partly reflected higher costs of sales at both the Avino and San Gonzalo mines. The gross margin on the sale of San Gonzalo concentrates remained consistent with prior periods. At the Avino Mine, we utilized both production and development methods of mining. The costs associated with development mining are considerably higher, impacting our consolidated gross margin. The Company expects to continue to improve the gross margin for the Avino Mine as it transitions from development mining, at a higher cost, to production mining in 2017.

I have tremendous confidence in our new team of dedicated employees. This talented group will ensure the successful transition to production mining, ultimately improving our bottom line results.

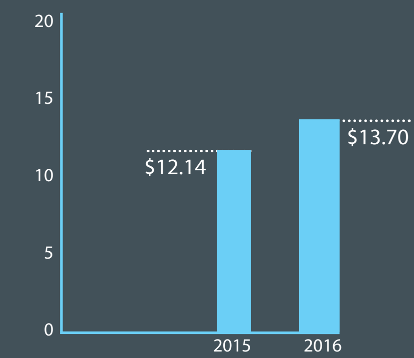
Malcolm Davidson, CPA, CA
Chief Financial Officer

2016 Operations Highlights

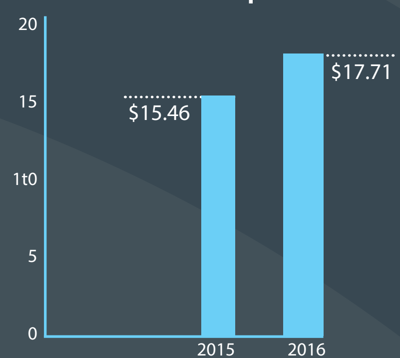
Silver Equivalent Ounces Sold



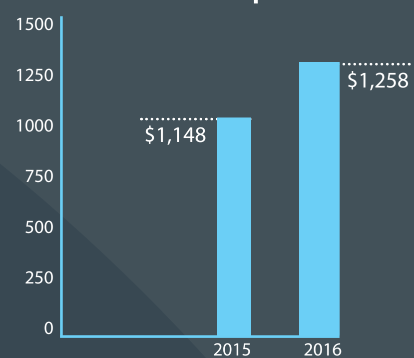
All-in Sustaining Cost per Silver Equivalent Ounce



Average Realized Silver Price per Ounce



Average Realized Gold Price per Ounce



	2016	2015	Change
Silver Equivalent Ounces Sold[1]	2,035,618	1,140,029	79%
Cash Cost per Silver Equivalent Ounce[1]	$ 11.24	$ 8.45	33%
US$ Cash Cost per Silver Equivalent Ounce[1,2]	$ 8.48	$ 6.61	28%
All-in Sustaining Cost per Silver Equivalent Ounce[1,2]	$ 13.70	$ 12.14	13%
US$ All-in Sustaining Cost per Silver Equivalent Ounce[1,2]	$ 10.34	$ 9.49	9%
Average Realized Silver Price per Ounce ($US)	$ 17.71	$ 15.46	15%
Average Realized Gold Price per Ounce ($US)	$ 1,258	$ 1,148	10%
Average Realized Copper Price per Tonne ($US)	$ 4,850	na	100%

1 "Silver equivalent ounces sold" for the purposes of cash costs and all-in sustaining costs consists of the sum of silver ounces, gold ounces, and copper tonnes sold multiplied by the ratio of the average spot gold and copper prices to the average spot silver price for the corresponding period.

2 The Company reports non-IFRS measures which include cash cost per silver equivalent ounce, all-in sustaining cash cost per ounce, and cash flow per share. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and the calculation methods may differ from methods used by other companies with similar reported measures.

Letter from the COO

With both the Avino and San Gonzalo mines now in production, we have turned our focus towards three new directives in Mexico. One is to complete the fourth mill circuit to bring our capacity to 2,500 tonnes per day (tpd). The second is to open a new mine in the Gap Zone near the ET Zone (the key zone of the Avino Mine) to help provide feed for the new circuit. Our third directive is to strengthen our ties with, and assistance to, the local communities.

Carlos Rodriguez, Chief Operations Officer

In my many years working at the Avino property, I have never been more excited about our future there. Amongst the employees and workers, there is a lot of pride in what we've accomplished and real excitement about where we're going. We now have more than 520 people working at the mine, drawing mostly from the nearby communities of Panuco de Coronado, San Jose de Avino and Ignacio Saragosa. About twenty percent of our workers come from the City of Durango and other mining cities such as Torreon, Gomez Palacio, Zacatecas and Guanajuato.

Construction of the new 1,000 tpd Mill Circuit #4 began in February 2017, and we expect to have the project completed and running early in 2018. The new circuit will process material from the Elena Tolosa (ET) Zone and also from the adjoining Gap Zone where we have been drilling since early 2016. The Gap Zone lies between the old San Luis workings and the ET Zone in an area that we believe was overlooked in the past.

Drill intersections spaced 25 metres apart are adding certainty to the new mineralized block of the Gap Zone. Gold grades are relatively high compared to other areas of the property with lower silver grades. We have encountered higher grade silver in pockets, and we strongly believe the overall silver equivalent grades will be economical and provide valuable feed to the new circuit in the coming years.

Of equal importance is the work we are doing to improve our interaction and engagement with the local communities. We are setting up systematic and efficient protocols whereby people in the communities can come to us with concerns or requests. While we enjoy very positive relations with most of the district, I am committed to making sure we exceed expectations in this regard. We will continue to make direct contributions to ensure needs are being met and that Avino becomes an exceptional corporate citizen in the region.

I want to thank our entire workforce in both Mexico and Canada for their teamwork and enthusiasm. There is a lot pride in the way everyone has pulled together, worked creatively and put in the hard effort to make this transition to a low-cost and very efficient producer. In addition to this pride, I feel a tremendous sense of confidence and excitement that we can build Avino into a very successful, mid-tier mining company that improves the lives of both its employees and the communities that support the company.

Carlos Rodriguez
Chief Operations Officer

Avino's Growth Strategy & Investment Case

Our next steps

Avino Mill Expansion	Mill Expansion – Circuit 4 Increase by 70% to 2,500 tpd Optimization, automation
Bralorne	Developing a plan for future profitable production
Avino Oxide Tailings Resource	Updated positive Preliminary Economic Assessment received, planning next steps

Investment Case

2017 Key Objectives

Mexico

- Plant and mine expansion to increase throughput capacity by approximately 70%
- Continue work to develop alternative tailings disposal
- At the Avino Property, continue exploration program between the San Luis and Elena Tolosa workings and west of the San Luis zone

Canada – Bralorne Mine

- Complete strategic operating plan to achieve profitable operation
- Complete engineering and planning for expansion
- Complete extensive plant and facility improvements
- Obtain operating permits from BC Ministry of Energy and Mines and amended permit from Ministry of Environment

Operations in Mexico

Circuit #	Capacity (tpd)	Source of Mill Feed	Online Date
1	250	San Gonzalo Mine	Oct 2012
2	250	Avino (ET) & San Gonzalo mines	Apr 2013
3	1,000	Avino (ET) Mine	Jan 2015
4	Under construction, estimated completion during Q4 2017		

Operating Two Mines in Mexico, Major Expansion Underway in 2017

Avino Silver & Gold Mines has operated in Mexico for the past 49 years. Our focus has been, and continues to be, our Avino Property located in Durango State within the Sierra Madre silver/gold belt. Here we own and operate two mines with significant brownfield exploration potential. We are also exploring four greenfield projects, all within Durango State.

Why Mexico?
Mexico, the world's leading silver producing country, offers a stable political and economic environment, modern infrastructure, a skilled and educated work force and a pro-mining culture.

We will realize our vision through profitable organic growth at our operations in both Mexico and Canada while at all times adhering to our core values and operating philosophy.

Avino operates the Avino and San Gonzalo mines, both feeding the Avino Processing Facility near Durango, Mexico.

San Gonzalo Mine

100% OWNERSHIP

822,689 oz

2016 SILVER PRODUCTION

FEED GRADE SILVER (G/T) 267

3,427 oz

2016 GOLD PRODUCTION

FEED GRADE GOLD (G/T) 1.25

1,073,062 oz

2016 SILVER EQUIVALENT PRODUCTION*

*Metal production is expressed in terms of silver equivalent ounces (oz Ag Eq). In 2016, AgEq was calculated using metals prices of $17.10 oz Ag, $1,248 oz Au and $2.21 lb Cu. In 2015, AgEq was calculated using $16 oz Ag, $1,150 oz Au and $3.00 lb Cu.

CURRENT SAN GONZALO RESOURCE

Resource Category	Cut-off AgEq g/t	Metric Tonnes	AgEq Grade g/t	Ag Grade g/t	Au Grade g/t	Ag Troy oz (Millions)	Au Troy oz (Thousands)
Measured	125	170,000	357	272	1.5	1,500,000	8,200
Indicated	125	320,000	310	237	1.3	2,400,000	13,300
Inferred	125	540,000	403	314	1.58	5,500,000	27,500

Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to the Indicated or Measured mineral resource category.

Figures in the table may not add to the totals shown due to rounding.

The mineral resource estimate is classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum's "CIM Definition Standards - For Mineral Resources and Mineral Reserves" incorporated by reference into National Instrument 43-101 "Standards of Disclosure for Mineral Projects".

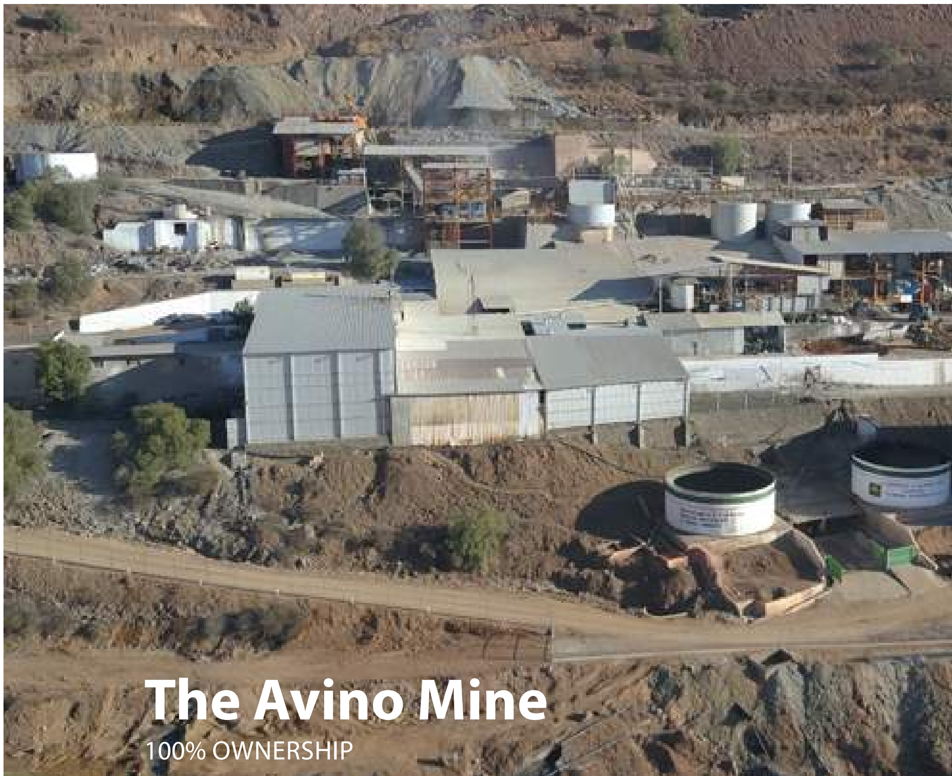
A Strongly-Developed Silver-Gold-Zinc Vein System

The San Gonzalo Mine, commissioned in 2012, is situated just two kilometres from the original Avino Mine. Production comes from a strongly-developed silver-gold-zinc vein system over 25 metres in width. Lower feed grades and tonnage processed during 2016 resulted in a decrease in silver production.

Exploration to develop further resources at San Gonzalo continued throughout 2016, using both surface and underground drilling. This work is expected to continue on an accelerated basis in 2017.

As an underground operation, San Gonzalo uses both shrinkage and cut-and-fill mining methods to extract mineralized material. The material is trucked to our 1,500 tpd Avino Mill facility and processed separately, into a bulk concentrate, through the 250 tpd Circuit #1.

Exploration to develop further resources at San Gonzalo is expected to accelerate through 2017.



The Avino Mine

100% OWNERSHIP

789,372 oz

2016 SILVER PRODUCTION

FEED GRADE SILVER (G/T) 67

3,691 oz

2016 GOLD PRODUCTION

FEED GRADE GOLD (G/T) 0.42

4,206,585 lbs

2016 COPPER PRODUCTION

FEED GRADE COPPER (%) 0.50

1,606,272 oz

2016 SILVER EQUIVALENT PRODUCTION*

*Metal production is expressed in terms of silver equivalent ounces (oz Ag Eq). In 2016, AgEq was calculated using metals prices of $17.10 oz Ag, $1,248 oz Au and $2.21 lb Cu. In 2015, AgEq was calculated using $16 oz Ag, $1,150 oz Au and $3.00 lb Cu.

CURRENT AVINO MINE RESOURCE

Resource Category	Cut-off AgEq g/t	Metric Tonnes	AgEq Grade g/t	Ag Grade g/t	Au Grade g/t	Cu%	Ag Troy oz (Millions)	Au Troy oz (Thousands)	Cu T
Measured	55	950,000	143	74	0.33	0.69	2,300,000	10,000	6,550
Indicated	55	500,000	129	68	0.36	0.56	1,100,000	5,700	2,800
Inferred	55	5,790,000	155	81	0.57	0.58	15,100,000	105,800	33,550

Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to the Indicated or Measured mineral resource category.

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Rich and Extensive Vein System Back in Full Production

Following several years of redevelopment beginning in 2012, full scale operations at the Avino Mine restarted in January, 2015. Production mining commenced April 1, 2016 following a 19-month advancement and test period. The rich and extensive Avino Vein was the source of historic production at the mine between 1974 and 2001, when it shut down due to low silver prices and closure of a key smelter.

The Avino vein stretches for at least 1.6 kilometres and measures 60 metres in width on surface. The mine is situated very near the processing plant. The deepest level mined prior to 2001 was level 11.5 (330 m below the surface). Current mining is taking place at the 15.5 level.

At the time of shutdown in 2001, silver equivalent production averaged near 2 million ounces annually with yearly copper production exceeding 3 million pounds. Today's long-term production is expected to compare with the historic averages.

In July 2015, Avino entered into an agreement to sell Avino Mine concentrates exclusively to Samsung C&T U.K. Limited in exchange for a US$10,000,000 term facility to be used for the purchase of new equipment and other mine improvements. Concentrate sales to Samsung began in August 2015 and will continue under the agreement until July 2018, at which time the agreement will be re-evaluated.

Concentrate sales to Samsung began in August 2015 and will continue under the agreement until July 2018.

Avino Tailings Facility

CURRENT TAILINGS RESOURCE

Resource Category	Cut-off AgEq g/t	Metric Tonnes	AgEq g/t	Ag g/t	Au g/t	Cu%	AgEq Million Tr Oz	Ag Million Tr Oz	Au Thousand Tr Oz	Cu T
Indicated	50	1,330,000	124	98	0.46	0	5.3	4.2	19.8	0
Inferred	50	1,810,000	113	88	0.44	0	6.5	5.1	25.6	0

Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to the Indicated or Measured mineral resource category.

Updated Preliminary Economic Assessment Presents Attractive Economics for Tailings

The extensive tailings asset, situated 500 metres west-southwest of the main Avino Mine shaft, includes both oxide and sulphide tailings. Each will require separate treatment methods. The tailings resource was created between 1976 and 2001 during Avino's previous operation from both open pit (oxide) then later underground (sulphide) mining. Improved metals markets now potentially enable Avino to process the remaining silver and gold in the tailings.

The preliminary economic analysis (PEA), completed in early 2017, presents a positive processing scenario and enables Avino to identify any additional studies and plan the next steps to move forward in advancing the oxide tailings project. Avino expects to follow the recommendations contained in the Technical Report, which will include the pre-feasibility phase, and continue to review alternative approaches for the storage of existing tailings.

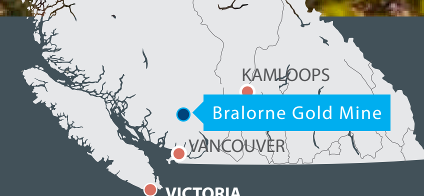
The PEA, prepared in accordance with NI 43-101 standards, included the following highlights:

- Significant pre-tax NPV 8% of US$40.5 million
- Strong pre-tax IRR of 48.4%
- Two-year year pay-back period
- Total capital expenditures of US$28.5 million
- Seven-year mine life with LOM of 3.12 million tonnes of oxide tailings materials.

The Preliminary Economic Analysis presents a positive processing scenario and enables Avino to plan the next steps in moving forward with the project.

Bralorne Gold Mine

100% OWNERSHIP



THE BRALORNE RESOURCE

Measured			Indicated			Measured & Indicated			Inferred		
Tons	Au opt	Au Ounces	Tons	Au opt	Au Ounces	Tons	Au opt	Au Ounces	Tons	Au opt	Au Ounces
45,922	0.36	16,643	227,201	0.32	74,855	273,123	0.33	91,528	363,527	0.22	83,900

Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to the Indicated or Measured mineral resource category. Figures in the table may not add to the totals shown due to rounding. The mineral resource estimate is classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum's "CIM Definition Standards - For Mineral Resources and Mineral Reserves" incorporated by reference into National Instrument 43-101 "Standards of Disclosure for Mineral Projects". Mineral Resources are reported at cut-off grades 0.1 ounces per ton gold.

Program Underway to Re-Open Bralorne Gold Mine

The Bralorne Gold Mine has operated under trial production status since 2010. Despite steady but limited gold production - including an estimated 3,482 ounces in fiscal 2014 - Bralorne remains in the exploration and evaluation stage.

Avino Silver & Gold Mines acquired Bralorne Gold Mines Ltd. in October of 2014, giving Avino full control and ownership of the Bralorne mine. Avino is implementing a multi-year plan to increase gold resources, expand the mine's operating capacity and realize a much more efficient operation that will contribute significantly to Avino's overall production in the coming years.

On October 21, 2016, Avino announced the results of an updated NI 43-101 resource estimate for the Bralorne property. The resource estimate has been included in an updated NI 43-101 technical report, prepared by Kirkham Geosystems Ltd., which was filed with SEDAR on October 27, 2016.

The strategic operating plan includes changing the mining method to long hole mining, which is considered safer and less labour-intensive than previous trial methods employed. New mining equipment is being acquired to replace older equipment and to further mechanize for long hole mining. Engineering is in progress to expand the mill and upgrade the surface infrastructure for a larger operation.

Corporate Social Responsibility in Mexico

Key Initiatives:

Water infrastructure

Regional power capacity improvements

Road improvements

School and activities funding

Garbage site cleanup

First aid courses

Improving Communities with an Open Door and a Helping Hand

Avino's core values are built upon relationships, community engagement, respect and transparency. In Mexico, we have established a new Community and Sustainability department that ensures these values are supported and enhanced for all stakeholders in the region.

Corporate Social Responsibility (CSR) is extremely important to the Company. We have a newly-created CSR department at the Avino Mine site that ensures our local communities, consisting of Panuco de Coronado, San Jose de Avino and others, have an open, simple and welcoming means of interacting with the company. Residents can voice concerns, make requests, meet staff or simply gain a better understanding of our operations.

Avino is voluntarily helping with a number of improvements in the region. We have helped deliver water to farmers, improved sports facilities and provided funding to schools. Most recently we helped clean up a municipal garbage site, and we conducted first aid training for nearby communities. For the garbage clean-up, we provided machinery, a dozer operator, field helpers, fuel and meals.

We will continue responding to requests from members of the communities and providing assistance where we can. We take great pride in the important role that Avino plays in this district, which is home to approximately 11,000 people and from which we draw 80 percent of our work force. As we grow and employ more local residents, we will play a key role in community and regional improvement.

Corporate Social Responsibility in Canada

Key Initiatives:

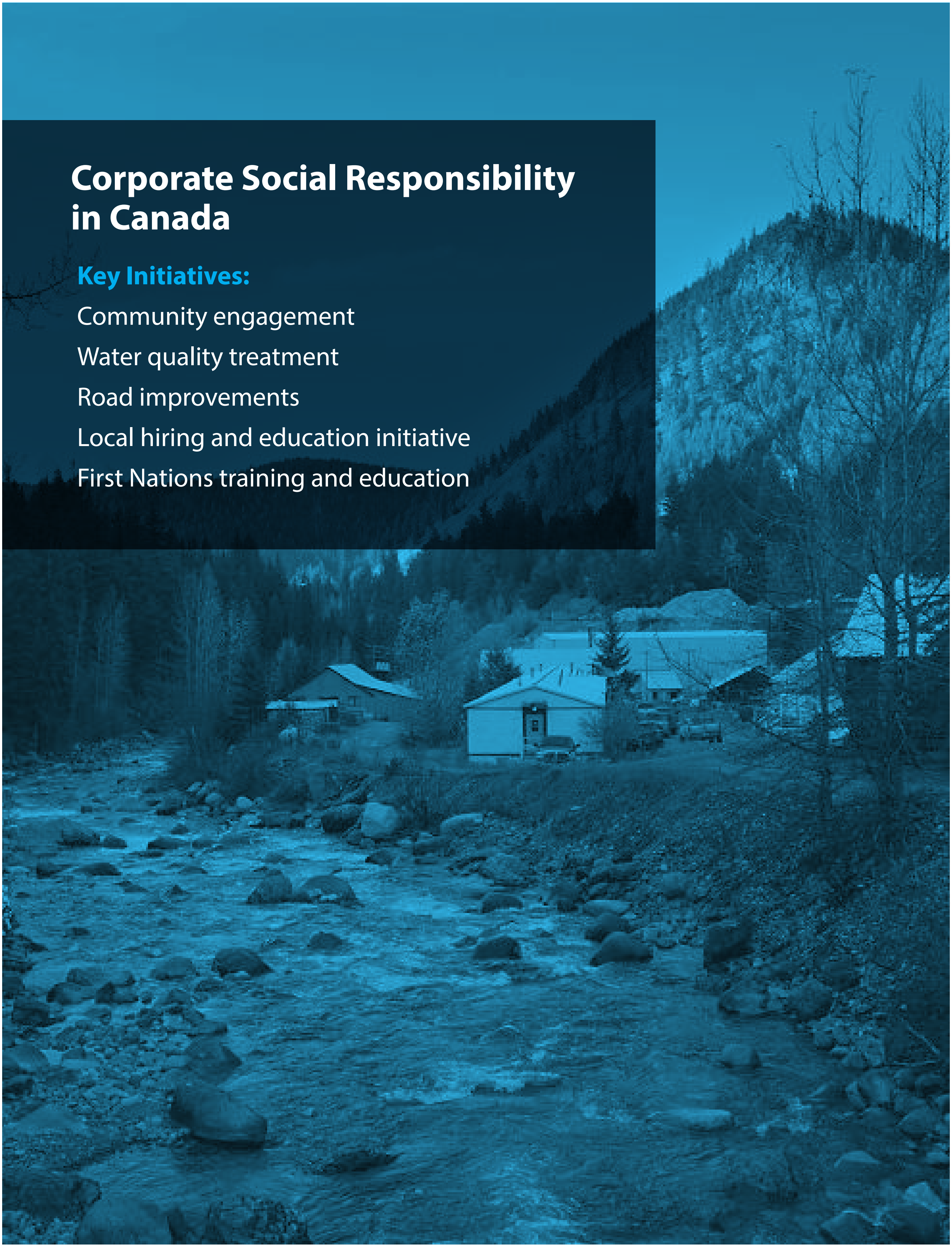
Community engagement

Water quality treatment

Road improvements

Local hiring and education initiative

First Nations training and education



Using Our Resources to Build Better Communities, Infrastructure and Futures

As the Bralorne Mine moves toward operating status, Avino has been working closely with government representatives at local, provincial and federal offices to ensure that we maintain an open dialogue with all stakeholders while adhering to all regulations. There are many ways that we can use our resources to build better communities, infrastructure and futures for local residents.

The Bralorne property is located in the heart of the St'at'imc First Nation's traditional territory, over which the St'at'imc maintain title and rights. Since acquiring the Bralorne project, Avino's management has made it a priority to forge a trusting and mutually beneficial relationship with the St'at'imc Chiefs council, the Lillooet Tribal Council and the four St'at'imc communities (Xwisten, N'Quatqua, T'it'q'et and Tsalalh) directly affected by our activities.

Avino staff hold regular consultation meetings to openly discuss our development and reclamation plans, capacity building and environmental monitoring as well as training and educational opportunities for members of the St'at'imc communities.

Management's Discussion and Analysis

For the year ended December 31, 2016

Management's Discussion and Analysis

The following discussion and analysis of the operations, results, and financial position of Avino Silver & Gold Mines Ltd. (the "Company" or "Avino") should be read in conjunction with the Company's audited consolidated financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 and the notes thereto.

This Management's Discussion and Analysis ("MD&A") is dated March 1, 2017, and discloses specified information up to that date. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise cited, references to dollar amounts are in Canadian dollars. This MD&A contains "forward-looking statements" that are subject to risk factors including those set out in the "Cautionary Statement" at the end of this MD&A. All information contained in this MD&A is current and has been approved by the Company's Board of Directors as of March 1, 2017 unless otherwise indicated.

Throughout this report we refer to "Avino", the "Company", "we", "us", "our", or "its". All these terms are used in respect of Avino Silver & Gold Mines Ltd. ***We recommend that readers consult the "Cautionary Statement" on the last page of this report.*** Additional information relating to the Company is available on the Company's website at www.avino.com and on SEDAR at www.sedar.com.

Business Description

Founded in 1968, the Company is engaged in the production and sale of silver, gold, and copper bulk concentrate and the exploration, evaluation, and acquisition of mineral properties. The Company holds mineral claims and leases in Durango, Mexico, and in British Columbia and Yukon, Canada. Avino is a reporting issuer in British Columbia and Alberta and a foreign issuer with the Securities and Exchange Commission in the United States. The Company's shares trade on the TSX Venture Exchange, Tier 1, under the symbol "ASM", on the NYSE MKT under the symbol "ASM", and on the Berlin and Frankfurt Stock Exchanges under the symbol "GV6".

Overall Performance and Highlights

HIGHLIGHTS	Fourth Quarter 2016	Fourth Quarter 2015	Change	Year 2016	Year 2015	Change
Operating						
Tonnes Milled	134,688	136,817	-2%	544,336	517,887	5%
Silver Ounces Produced	419,355	409,216	2%	1,612,060	1,625,285	-1%
Gold Ounces Produced	2,581	1,588	63%	7,119	7,083	1%
Copper Pounds Produced	755,645	1,271,565	-41%	4,206,585	4,743,691	-11%
Silver Equivalent Ounces[1] Produced	707,775	761,767	-7%	2,679,334	3,020,348	-11%
Consolidated San Gonzalo and Avino Sales						
Silver Equivalent Ounces Sold[2]	644,479	241,114	167%	2,035,618	1,140,029	79%
Cash Cost per Silver Equivalent Ounce[2]	$ 11.50	$ 8.24	40%	$ 11.24	$ 8.45	33%
US$ Cash Cost per Silver Equivalent Ounce[2,3]	US$ 8.62	US$ 6.17	40%	US$ 8.48	US$ 6.61	28%
All-in Sustaining Cost per Silver Equivalent Ounce[2,3]	$ 13.36	$ 12.70	5%	$ 13.70	$ 12.14	13%
US$ All-in Sustaining Cost per Silver Equivalent Ounce[2,3]	US$ 10.01	US$ 9.51	5%	US$ 10.34	US$ 9.49	9%
Average Realized Silver Price per Ounce ($US)	US$ 16.69	US$ 14.29	17%	US$ 17.71	US$ 15.46	15%
Average Realized Gold Price per Ounce ($US)	US$ 1,194	US$ 1,092	9%	US$ 1,258	US$ 1,148	10%
Average Realized Copper Price per Tonne ($US)	US$ 5,313	—	100%	US$ 4,850	—	100%
Financial						
Revenues	$12,006,667	$ 3,860,109	211%	$ 39,895,591	$19,082,847	109%
Mine Operating Income	$ 3,546,929	$ 1,471,826	141%	$ 14,503,700	$ 8,121,153	79%
Net Income	$ 1,217,821	$ 370,675	229%	$ 1,992,479	$ 483,424	312%
Cash	$15,816,628	$ 7,475,134	112%	$ 15,816,628	$ 7,475,134	112%
Working Capital	$31,293,019	$ 6,003,557	421%	$ 31,293,019	$ 6,003,557	421%
Shareholders						
Earnings per Share ("EPS") – Basic	$ 0.03	$ 0.01	200%	$ 0.05	$ 0.01	400%
Cash Flow per Share[3] – Basic	$ 0.06	$ (0.03)	300%	$ 0.18	$ 0.01	1,700%

1. *Metal production is expressed in terms of silver equivalent ounces (oz Ag Eq), In 2016, AgEq was calculated using metals prices of $17.10 oz Ag, $1,248 oz Au and $2.21 lb Cu. In 2015, AgEq was calculated using $16 oz Ag, $1,150 oz Au and $3.00 lb Cu*
2. *"Silver equivalent ounces sold" for the purposes of cash costs and all-in sustaining costs consists of the sum of silver ounces, gold ounces, and copper tonnes sold multiplied by the ratio of the average spot gold and copper prices to the average spot silver price for the corresponding period.*
3. *The Company reports non-IFRS measures which include cash cost per silver equivalent ounce, all-in sustaining cash cost per ounce, and cash flow per share. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and the calculation methods may differ from methods used by other companies with similar reported measures.*

During the year ended December 31, 2016, the Company produced 9,390 tonnes of bulk copper/silver/gold concentrate from its Avino Mine, and 4,115 tonnes of bulk silver/gold concentrate from its San Gonzalo Mine, and recognized revenues of $22,847,834 on the sale of 7,625 tonnes of Avino Mine bulk copper/silver/gold concentrate and $17,047,758 on the sale of 3,842 tonnes of San Gonzalo bulk silver/gold concentrate for a gross profit of $14,503,700. Metal prices for revenues recognized during the year ended December 31, 2016, averaged US$17.71 per ounce of silver, US$1,258 per ounce of gold, and US$4,850 per tonne of copper.

Cash cost per silver equivalent ("AgEq") ounce for the year ended December 31, 2016, was $11.24 (US$8.48) while all-in sustaining cash cost per AgEq ounce was $13.70 (US$10.34).

The Company's cash balance at December 31, 2016, totaled $15,816,628 compared to $7,475,134 at December 31, 2015, while the working capital totaled $31,293,019 at December 31, 2016, compared to working capital of $6,003,557 at December 31, 2015.

In November 2016, the Company completed a bought-deal financing, issuing 7,124,430 units for gross proceeds of $15,011,865 (US$11,185,355). Each unit consisted of one common share and one-half of a share purchase warrant, with each whole warrant exercisable to purchase one additional common share at an exercise price of US$2.00 until expiry on November 28, 2019. The financing was made by way of a prospectus supplement dated November 21, 2016.

Discussion of Operations

The Company's production, exploration, and evaluation activities during the year ended December 31, 2016, have been conducted on its Avino Property and its Bralorne Mine property.

The Company holds a 99.67% effective interest in Compañía Minera Mexicana de Avino, S.A. de C.V. ("Avino Mexico"), a Mexican corporation which owns the Avino Property. The Avino Property covers approximately 1,104 contiguous hectares, and is located approximately 80 km north-east of the city of Durango. The Avino Property is equipped with milling facilities that presently process all output from the San Gonzalo and Avino Mines located on the property.

The Company also holds a 100% interest in the Bralorne Mine property through its ownership of Bralorne Gold Mines Ltd. The Bralorne Mine property consists of a comprehensive package of mineral claims, land parcels, and equipment and infrastructure assembled during historic mining operations in the Bridge River mining camp of southwest British Columbia.

Consolidated 2016 Production Highlights

Comparative production numbers from 2016 and 2015 are presented below:

	2016	2015	% Change
Total Silver Produced (oz) *calculated*	1,612,060	1,625,285	-1%
Total Gold Produced (oz) *calculated*	7,119	7,083	1%
Total Copper Produced (lbs) *calculated*	4,206,585	4,743,691	-11%
Total Silver Eq. Produced (oz) *calculated*[1]	2,679,334	3,020,348	-11%

1. *Metal production is expressed in terms of silver equivalent ounces (oz Ag Eq), In 2016, AgEq was calculated using metals prices of $17.10 oz Ag, $1,248 oz Au and $2.21 lb Cu. In 2015, AgEq was calculated using $16 oz Ag, $1,150 oz Au and $3.00 lb Cu*

Consolidated Fourth Quarter 2016 Production Highlights

Comparative production numbers from the fourth quarters of 2016 and 2015 are presented below:

	Q4 2016	Q4 2015	% Change
Total Silver Produced (oz) *calculated*	419,355	409,216	2%
Total Gold Produced (oz) *calculated*	2,581	1,588	63%
Total Copper Produced (Lbs) *calculated*	755,645	1,271,565	-41%
Total Silver Eq. Produced (oz) *calculated*[1]	707,775	761,767	-7%

1. Metal production is expressed in terms of silver equivalent ounces (oz Ag Eq), In 2016, AgEq was calculated using metals prices of $17.10 oz Ag, $1,248 oz Au and $2.21 lb Cu. In 2015, AgEq was calculated using $16 oz Ag, $1,150 oz Au and $3.00 lb Cu

Avino Mine Production Highlights

At the start of the second quarter of 2016, the Company declared production at levels intended by management at the Avino ("ET" Mine) effective April 1, 2016. The declaration was made following an advancement and test period of 19 months. On April 1, 2016, underground mining commenced on upper level 11.5 using the long-hole retreat sub-level caving method. The advancement and test period established that mineral recoveries were at, or above, levels necessary for expected positive cash flows and profitability, which amongst other critical factors, were significant in making the production decision. As of April 1, 2016, the Company's consolidated statement of operations will reflect revenues and related production costs from the Avino Mine; this activity was reflected with exploration and evaluation assets on the Company's consolidated statement of financial position prior to the commencement of production at levels intended by management. The costs associated with development mining at the Avino Mine are considerably higher, and as a result there is an impact on the Company's consolidated gross margin. The Company intends to utilize the production method of mining in the future, and expects production costs at the Avino Mine to decrease significantly.

Comparative figures for the years ended December 31, 2016, and December 31, 2015, as well as the fourth quarter 2016 and the fourth quarter of 2015 for the Avino Mine are as follows:

	Q4 2016	Q4 2015	% Change	2016	2015	% Change	Notes
Tonnes Mined	103,266	102,580	1%	450,281	372,376	21%	6
Underground Development (m)	756	1,440	-48%	4,005	5,056	-21%	1,6
Mill Availability (%)	95.6	94.5	1%	94.0	96.1	-2%	—
Total Mill Feed (dry tonnes)	101,157	110,201	-8%	429,289	396,113	8%	2,7
Feed Grade Silver (g/t)	65	68	-5%	67	65	3%	3,8,9
Feed Grade Gold (g/t)	0.69	0.29	137%	0.42	0.29	44%	3,4,8,9
Feed Grade Copper (%)	0.37	0.61	-39%	0.50	0.62	-20%	3,4,8,9
Recovery Silver (%)	85%	86%	-1%	85%	87%	-2%	—
Recovery Gold (%)	69%	66%	4%	64%	75%	-15%	—
Recovery Copper (%)	91%	86%	6%	90%	87%	3%	—
Copper Concentrate (dry tonnes)	2,094	2,556	-18%	9,390	9,058	4%	4,9
Copper Concentrate Grade Silver (kg/t)	2.67	2.52	6%	2.62	2.47	6%	9
Copper Concentrate Grade Gold (g/t)	22.87	8.32	175%	12.23	9.47	29%	4,9
Copper Concentrate Grade Copper (%)	16.37	22.56	-27%	20.32	23.76	-14%	9
Total Silver Produced (kg)	5,584	6,430	-13%	24,552	22,329	10%	5,9
Total Gold Produced (g)	47,891	21,263	125%	114,812	85,737	34%	5,9
Total Copper Produced (kg)	342,755	576,773	-41%	1,908,077	2,152,202	-11%	5
Total Silver Produced (oz) *calculated*	179,536	206,743	-13%	789,372	717,901	10%	5,9
Total Gold Produced (oz) *calculated*	1,540	684	125%	3,691	2,757	34%	5,9
Total Copper Produced (Lbs) *calculated*	755,645	1,271,565	-41%	4,206,585	4,743,691	-11%	5,9
Total Silver Equivalent Produced (oz) *calculated*[1]	394,149	494,295	-20%	1,606,272	1,801,997	-11%	9

1. *Metal production is expressed in terms of silver equivalent ounces (oz Ag Eq), In 2016, AgEq was calculated using metals prices of $17.10 oz Ag, $1,248 oz Au and $2.21 lb Cu. In 2015, AgEq was calculated using $16 oz Ag, $1,150 oz Au and $3.00 lb Cu*

Avino Mine Fourth Quarter Production Highlights

1. Underground development decreased by 48% due to the transition to production mining on levels 14 and 14.5 as well as the installation of upgraded electrical and dewatering systems for the ramp to level 17 from 15.5.
2. Tonnage processed decreased by 8% during November and December 2016, as Mill Circuit 2 was used to process San Gonzalo material rather than Avino material.
3. The gold feed grade increased by 137% whereas the copper and silver feed grades decreased by 39% and 5%, respectively; the changes in grade are due to mining activities advancing to the new higher-grade gold zone on the other side of the fault.
4. The lower copper feed grade resulted in 18% fewer tonnes of concentrate produced and a 27% drop in the concentrate grade for copper; however, the higher gold grade in the mill feed resulted in a 175% increase of the gold grade in the concentrate.
5. Silver and copper production decreased by 13% and 41%, respectively, while gold increased by 125%, which resulted in a 20% decrease in silver equivalent production compared to the comparable quarter last year.

Avino Mine 2016 Year-End Production Highlights

6. The year over year change in mined tonnes and development is attributed to the transition from development to production mining, as well as the need to upgrade the electrical and dewatering systems in the lower levels of the mine.
7. Tonnage processed increased by 8% due to the increased use of Mill Circuit 2 to process Avino Mine material throughout the year (except for November and December); however, this was partially offset by required maintenance on the Mill Circuit 3 ball mill during the second quarter.
8. Gold and silver feed grades increased by 44% and 3%, respectively, while the copper grade decreased by 20%; the changes in grades are due to mining activities advancing to the new higher-grade gold zone on the other side of the fault.
9. There was a 4% increase in concentrate production and a 14% decrease in the grade of copper in the concentrate, while gold and silver grades in the concentrate increased by 29% and 6%, respectively; the foregoing were mainly due to the changes in the feed grades being processed.
10. Silver and gold production for the year increased by 10% and 34%, respectively, while copper production decreased by 11%, resulting in a decline of 11% in silver equivalent ounces of production as a result of the factors discussed above.

Under National Instrument 43-101, the Company is required to disclose that it has not based its production decisions on NI 43-101 reserve estimates, preliminary economic assessments, or feasibility studies, and historically projects without such reports have increased uncertainty and risk of economic viability. The Company's decision to place a mine into operation at levels intended by management, expand a mine, make other production-related decisions, or otherwise carry out mining and processing operations is largely based on internal non-public Company data, and on reports based on exploration and mining work by the Company and by geologists and engineers engaged by the Company. The results of this work are evident in the Company's discovery of the San Gonzalo resource, and in the Company's record of mineral production and financial returns since operations at levels intended by management commenced at the San Gonzalo Mine in 2012. This approach is being applied for the Avino Mine, for which similar risks and uncertainties have been identified.

San Gonzalo Mine Production Highlights

Comparative figures for the years ended December 31, 2016, and December 31, 2015, as well as the fourth quarter 2016 and the fourth quarter of 2015 for the San Gonzalo Mine are as follows:

	Q4 2016	Q4 2015	% Change	2016	2015	% Change	Notes
Tonnes Mined	29,678	18,272	62%	108,943	93,291	17%	1
Underground Advancement (m)	1,062	1,128	-6%	4,433	4,578	-3%	2
Mill Availability (%)	94.1	94.7	-1%	94.4	92.7	2%	—
Total Mill Feed (dry tonnes)	33,511	26,616	26%	115,047	121,774	-6%	1,3,6,8
Feed Grade Silver (g/t)	262	285	-8%	267	279	-4%	4,7,8
Feed Grade Gold (g/t)	1.16	1.45	-20%	1.25	1.48	-16%	4,7,8
Recovery Silver (%)	85%	83%	2%	83%	83%	0%	4
Recovery Gold (%)	83%	73%	14%	74%	75%	-1%	4
Bulk Concentrate (dry tonnes)	1,130	1,023	10%	4,115	4,517	-9%	3,8
Bulk Concentrate Grade Silver (kg/t)	6.60	6.15	7%	6.22	6.24	0%	—
Bulk Concentrate Grade Gold (g/t)	28.6	27.5	4%	25.9	28.3	-9%	—
Total Silver Produced (kg)	7,459	6,298	18%	25,588	28,223	-9%	5,9
Total Gold Produced (g)	32,379	28,128	15%	106,599	134,569	-21%	5,9
Total Silver Produced (oz) *calculated*	239,819	202,473	18%	822,689	907,384	-9%	5,9
Total Gold Produced (oz) *calculated*	1,041	904	15%	3,427	4,326	-21%	5,9
Total Silver Equivalent Produced (oz) *calculated*[1]	313,626	267,472	17%	1,073,062	1,218,351	-12%	3,9

1. *Metal production is expressed in terms of silver equivalent ounces (oz Ag Eq). In 2016, AgEq was calculated using metals prices of $17.10 oz Ag, $1,248 oz Au and $2.21 lb Cu. In 2015, AgEq was calculated using $16 oz Ag, $1,150 oz Au and $3.00 lb Cu*

San Gonzalo Mine Fourth Quarter Production Highlights

1. Tonnage hauled increased by 62% in order to accommodate Mill Circuit 2, which during November and December transitioned to processing material from San Gonzalo; this in turn led to a 26% increase in tonnage processed.
2. Underground advancement decreased by 6% as there were fewer blocks available for development work.
3. The higher processed tonnage resulted in a 17% increase in silver equivalent production and a 10% increase in concentrate tonnage.
4. Silver and gold feed grades decreased by 8% and 20%, respectively, and the respective recoveries increased by 2% and 14%.
5. Silver and gold production increased by 18% and 15%, respectively, as a result of the factors outlined above.

San Gonzalo Mine 2016 Year-End Production Highlights

6. Tonnage processed for the year decreased by 6% as Mill Circuit 2 was primarily devoted to processing Avino Mine Material, whereas in 2015, it was mostly available to process San Gonzalo mill feed.
7. Silver and gold feed grades decreased by 4% and 16%, respectively, as a result of mining taking place in different areas in 2016 than in 2015.
8. The lower feed grades and tonnage processed resulted in 9% fewer tonnes of concentrate produced.
9. Silver and gold production decreased by 9% and 21%, respectively, resulting in an overall decrease of 12% in silver equivalent produced in 2016.

Under National Instrument 43-101, the Company is required to disclose that it has not based its production decisions on NI 43-101 reserve estimates, preliminary economic assessments, or feasibility studies, and historically projects without such reports have increased uncertainty and risk of economic viability. The Company's decision to place a mine into operation at levels intended by management, expand a mine, make other production-related decisions, or otherwise carry out mining and processing operations is largely based on internal non-public Company data, and on reports based on exploration and mining work by the Company and by geologists and engineers engaged by the Company. The results of this work are evident in the Company's discovery of the San Gonzalo resource, and in the Company's record of mineral production and financial returns since operations at levels intended by management commenced at the San Gonzalo Mine in 2012. This approach is being applied for the Avino Mine, for which similar risks and uncertainties have been identified.

Avino Mine Expansion and 2017 Capital Expenditures

In January 2017, Avino announced plans to expand the processing plant to 2,500 TPD. The expansion will include the installation of a new 1,000 TPD circuit to process material from the Avino Mine. Work began on Mill Circuit 4 in January 2017, and construction is expected to last approximately one year.

Capital expenditures for 2017 at Avino and San Gonzalo are estimated to total US$12.2 million as a result of the following capital projects: mill expansion (US$7.1 million), tailings storage facility (US$1.7 million), planned exploration (US$0.9 million), and continued refurbishment and replacement of mobile equipment (US$2.5 million).

Resource Estimate – Avino Property

On September 26, 2016, Avino announced the results of an updated NI 43-101 resource estimate for the Avino Property. The new estimate encompasses the property's San Gonzalo Mine, the main Avino Mine system, and the property's oxide tailings. The estimates have been included in an updated NI 43-101 technical report, prepared by QG Australia Pty Ltd., which was filed on SEDAR on October 28, 2016.

The following is a summary of current resources at the San Gonzalo and Avino Mines, as well as the updated oxide tailings resource, grouped into the measured, indicated and inferred categories. The effective date of the resource estimates is August 31, 2016.

The resource estimates were prepared by Michael O'Brien P.Geo., Pr.Sci.Nat., who is a "Qualified Person" within the meaning of National Instrument 43-101 and who is an employee of QG Australia Pty Ltd (an ARANZ Geo Company) and independent of Avino, as defined by Section 1.5 of NI 43-101.

Measured & Indicated Mineral Resources				Grade				Metal Contents		
Resource Category	Deposit	Cut-off (AgEQ g/t)	Metric Tonnes	AgEQ g/t	Ag g/t	Au g/t	Cu%	Ag Million Tr Oz	Au Thousand Tr Oz	Cu T
Measured	Avino System	55	950,000	143	74	0.33	0.69	2.3	10.0	6,550
Measured	San Gonzalo System	125	170,000	357	272	1.50	0.00	1.5	8.2	0
Total Measured	**All Deposits**		**1,120,000**	**176**	**105**	**0.51**	**0.58**	**3.8**	**18.2**	**6,550**
Indicated	Avino System	55	500,000	129	68	0.36	0.56	1.1	5.7	2,800
Indicated	San Gonzalo System	125	320,000	310	237	1.30	0.00	2.4	13.3	0
Indicated	Oxide Tailings	50	1,330,000	124	98	0.46	0.00	4.2	19.8	0
Total Indicated	**All Deposits**		**2,150,000**	**152**	**111**	**0.56**	**0.13**	**7.7**	**38.8**	**2,800**
Total Measured & Indicated	**All Deposits**		**3,270,000**	**160**	**109**	**0.54**	**0.29**	**11.5**	**57.0**	**9,350**

Inferred Mineral Resources				Grade				Metal Contents		
Resource Category	Deposit	Cut-off (AgEQ g/t)	Metric Tonnes	AgEQ g/t	Ag g/t	Au g/t	Cu%	Ag Million Tr Oz	Au Thousand Tr Oz	Cu T
Inferred	Avino System	55	5,790,000	155	81	0.57	0.58	15.1	105.8	33,550
Inferred	San Gonzalo System	125	540,000	403	314	1.58	0.00	5.5	27.5	0
Inferred	Oxide Tailings	50	1,810,000	113	88	0.44	0.00	5.1	25.6	0
Total Inferred	**All Deposits**		**8,140,000**	**162**	**98**	**0.61**	**0.41**	**25.6**	**158.9**	**33,550**

Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to the Indicated or Measured mineral resource category.

Figures in the table may not add to the totals shown due to rounding.

The mineral resource estimate is classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum's "CIM Definition Standards - For Mineral Resources and Mineral Reserves" incorporated by reference into National Instrument 43-101 "Standards of Disclosure for Mineral Projects".

Mineral Resources are reported at cut-off grades 55, 125 and 50 g/t silver equivalent grade for the Avino, San Gonzalo and oxide tailings, respectively, as indicated in the table.

Exploration

In late September 2016, Avino began an exploration diamond drilling program between the San Luis Mine, which was last mined in the 1990's, and the ET mine, which is the area of current production; both areas are part of the Avino Mine.

The area between the two mines is approximately 300 metres long and 220 metres deep and was recently the subject of a geological review where it was determined that the main Avino vein showed economically viable values, was open at depth and was largely underexplored. The program comprises 18 holes totaling 2,955 metres. Eleven holes have been drilled with assays being received from 8 holes. The results of the first 8 holes were released in December, with the results from the remaining ten holes still pending. The drill results support the continuation of the extensive Avino vein system.

This new area is close to surface and accessible from the existing Avino Mine underground workings. The area was identified as a target of interest given that on surface and at shallow depths the Avino Vein system splits into hanging wall and foot wall structures.

Bralorne Mine

The Bralorne Mine, located approximately 240 km north-east of Vancouver, British Columbia, is in the exploration, evaluation and planning stage.

During the fourth quarter of 2016, the Company continued to develop a strategic operating plan to achieve a profitable operation at Bralorne. The mine plan includes changing the mining method to long hole mining, which is considered safer and less labour intensive than previous methods employed, and is expected to support a higher production rate of 300 tpd. New mining equipment is being acquired to replace older equipment and to further mechanize for long hole mining. The first work to be carried out underground will be to test the long hole mining method. Engineering is in progress to expand the mill from 100 tpd to 300 tpd. Engineering is also being carried out to upgrade the surface infrastructure for a 300 tpd operation. The dam for the Tailings Storage Facility ("TSF") was raised in October 2015, and additional buttress work was completed on the tailing's impoundment during the third quarter of 2016. The Interim Mine Closure Plan ("IMCP") and review process is underway and is expected to be completed in the first quarter of 2017. The new Water Treatment Plant ("WTP") was enclosed in a new building in November to protect it from the elements, and is ready for freshet in early 2017. The work on the TSF, the IMCP, WTP and the strategic operating plan are all contributing to the Company's goal of obtaining the permits from British Columbia's Ministry of Energy & Mines and Ministry of Environment to resume processing and mining activities in 2017.

Bralorne Three Phase Strategic Operating Plan

In January 2017, Avino released a strategic operating plan involving a three-phased, multi-year operating plan which provides a route to Bralorne's growth with manageable sequenced capital expenditures.

Independent mining engineers were engaged to develop a long term mine plan which includes a change to narrow vein long hole mining wherever possible, to replace the historic labor intensive shrinkage and cut and fill mining methods. The company also engaged independent engineering professionals to assist in developing a project execution plan for the mill and infrastructure to enable production start-up at 100 tpd in Phase One with eventual expansion in Phase Three to 300 tpd. Together with the engineers input, the Company has established a three-phased and disciplined approach to the development and expansion of the Bralorne Mine.

The Company's objective is to re-open the mine after the completion of Phase One at 100 tpd. Phase One is anticipated to cost US$4.1-million.

Advancing Phase One

Preparations for Phase 1, which will commence in the first quarter of 2017, will include the following work:

- Demolition and removal of existing coarse and fine ore bins
- Simplification of the crushing circuit with a larger primary and secondary crushing plant, which has the potential for future expansion to 500 tpd
- Construction of new fine ore storage to enable operating at a higher throughput
- Removal of the old crushing plant and foundations
- Exchange of one bank of float cells with new ones
- Construction of new tailings pumping system
- Upgrading of existing electrical systems
- Construction of a new assay lab

Phase Two Objectives (2018 – 2019)

- Larger ball mill installation
- Electrical upgrades and new electrical feed for larger ball mill
- Relocation and upgrade of existing classifying circuit
- Upgrade of Phase 1 MCC (Mobile Crushing Circuit) installation

Phase Three Objectives (2019 – 2020)

- Upgrades of existing flotation circuit, concentrate filtration circuit, reagent circuit, refinery
- New process control system installation
- Upgrade of surface infrastructure, including camp
- Begin processing at 300 tpd

The Company's long-term plan is to achieve an operating rate of 500 tpd.

Resource Estimate – Bralorne Property

On October 21, 2016, Avino announced the results of an updated NI 43-101 resource estimate for the Bralorne property. The resource estimate has been included in an updated NI 43-101 technical report, prepared by Kirkham Geosystems Ltd., which was filed on SEDAR on October 27, 2016.

The following is a summary of current resources at the Bralorne Property, grouped into the measured, indicated, and inferred categories. The effective date of the resource estimates is October 20, 2016. The resource estimates were prepared by Garth Kirkham, P. Geo., who is a "qualified person" within the meaning of National Instrument 43-101, and who is an employee of Kirkham Geosystems Ltd. and independent of Avino, as defined by Section 1.5 of NI 43-101.

Class	Measured			Indicated			Measured and Indicated			Inferred		
	Tons	Au opt	Au Ounces	Tons	Au opt	Au Ounces	Tons	Au opt	Au Ounces	Tons	Au opt	Au Ounces
51b FW	8,294	0.26	2,176	33,466	0.2	6,596	41,760	0.21	8,772	147,691	0.19	28,785
51bFW/HW	15,713	0.27	4,313	26,717	0.62	16,639	42,430	0.49	20,953	39,072	0.38	14,828
Alhambra	21,915	0.46	10,153	16,462	0.26	4,259	38,377	0.38	14,412	10,454	0.19	2,001
BK				50,501	0.33	16,822	50,501	0.33	16,822	50,430	0.16	8,064
BK-9870				5,754	0.53	3,058	5,754	0.53	3,058	7,327	0.27	1,986
BKN				37,546	0.36	13,569	37,546	0.36	13,569	46,972	0.30	14,007
Prince										12,790	0.17	2,138
Shaft				41,300	0.28	11,432	41,300	0.28	11,432	25,781	0.27	6,994
Taylor				15,455	0.16	2,510	15,455	0.16	2,510	23,010	0.22	5,097
Total	45,922	0.36	16,643	227,201	0.32	74,855	273,123	0.33	91,528	363,527	0.22	83,900

Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to the Indicated or Measured mineral resource category.

Figures in the table may not add to the totals shown due to rounding.

The mineral resource estimate is classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum's "CIM Definition Standards - For Mineral Resources and Mineral Reserves" incorporated by reference into National Instrument 43-101 "Standards of Disclosure for Mineral Projects".

Mineral Resources are reported at cut-off grades 0.1 ounces per ton gold.

Quality Assurance/Quality Control

At the Avino property, mill assays are performed at the on-site lab. Check samples are sent to Inspectorate Labs in Reno, Nevada for verification. All concentrate shipments are assayed by independent third party labs including AHK, LSI, Alex Stewart and SGS.

Qualified Person(s)

Avino's Mexican projects are under the supervision of Mr. Chris Sampson, P.Eng, BSc, Avino consultant, and Mr. Jasman Yee, P.Eng, Avino director; Avino's Bralorne Mine project is under the supervision of Fred Sveinson, B.A., BSc, P.Eng, Avino Senior Mining Advisor. These individuals are qualified persons ("QP") within the context of National Instrument 43-101. The respective QP's have reviewed and approved all the applicable technical data in this MD&A.

Objectives

Avino's mission is to create shareholder value through profitable organic growth at the Avino Property and the strategic acquisition and advancement of mineral exploration and mining properties. We are committed to expanding our operations and managing all business activities in an environmentally responsible and cost-effective manner while contributing to the well-being of the communities in which we operate.

The Company remains focused on the following key objectives:

1. Maintain and improve profitable mining operations while managing operating costs and achieving efficiencies;
2. Advance the Bralorne project towards profitable production;
3. Explore regional targets on the Avino Property followed by other properties in our portfolio;
4. Assess the potential for processing the oxide tailings resource from previous milling operations; and,
5. Identify and evaluate potential projects for acquisition.

Non – IFRS Measures

Cash cost per ounce, all-in sustaining cash cost per ounce, and cash flow per share

Cash cost per ounce, all-in sustaining cash cost per ounce, and cash flow per share are measures developed by mining companies in an effort to provide a comparable standard. However, there can be no assurance that our reporting of these non-IFRS measures is similar to that reported by other mining companies. Total cash cost per ounce, all-in sustaining cash cost per ounce, and cash flow per share are measures used by the Company to manage and evaluate operating performance of the Company's mining operations, and are widely reported in the silver and gold mining industry as benchmarks for performance, but do not have standardized meanings prescribed by IFRS, and are disclosed in addition to IFRS measures.

Management of the Company believes that the Company's ability to control the cash cost per silver equivalent ounce is one of its key performance drivers impacting both the Company's financial condition and results of operations. Achieving a low silver equivalent production cost base allows the Company to remain profitable from mining operations even during times of low commodity prices, and provides more flexibility in responding to changing market conditions. In addition, a profitable operation results in the generation of positive cash flows, which then improves the Company's financial condition.

The Company has adopted the reporting of "all-in sustaining cash cost per silver equivalent ounce". This measure has no standardized meaning throughout the industry. However, it is intended to provide additional information. Avino presents all-in sustaining cash cost because it believes that it more fully defines the total current cost associated with producing a silver equivalent ounce. Further, the Company believes that this measure allows investors of the Company to better understand its cost of producing silver equivalent ounces, and better assess the Company's ability to generate cash flow from operations. Although the measure seeks to reflect the full cost per silver equivalent ounce of production from current operations, it does not include capital expenditures attributable to mine expansions, exploration and evaluation costs attributable to growth projects, income tax payments, marketing and treatment charges, and financing costs. In addition, the calculation of all-in sustaining cash costs does not include depreciation and depletion expense as it does not reflect the impact of expenditures incurred in prior periods. The Company's calculation of all-in sustaining cash costs includes sustaining capital expenditures of $nil for the years ended December 31, 2016 and 2015, as substantially all of the mining equipment used at San Gonzalo and Avino has been newly purchased or refurbished. The Company has planned for sustaining capital expenditures in future years in accordance with mine operating plans and expected equipment utilization levels. Although 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 mining operations.

The Company also presents cash flow per share, as it believes it assists investors and other stakeholders in evaluating the Company's overall performance and its ability to generate cash flow from current operations.

To facilitate a better understanding of these measures as calculated by the Company, detailed reconciliations between the non-IFRS measures and the Company's consolidated financial statements are provided below. The measures presented are intended to provide additional information, and should not be considered in isolation nor should they be considered substitutes for IFRS measures. Calculated figures may not add up due to rounding.

Cash Cost and All-in Sustaining Cash Cost per Silver Equivalent Ounce

The following tables provide a reconciliation of cost of sales from the consolidated financial statements to cash cost and all-in sustaining cash cost per silver equivalent ounce sold. In each table, "silver equivalent ounces sold" consists of the sum of silver ounces, gold ounces and copper tonnes in concentrate sold multiplied by the ratio of the average spot gold and copper prices for the corresponding period.

	2016					2015				
San Gonzalo	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Cost of sales	$ 9,377,393	$ 3,743,091	$ 1,681,677	$ 2,975,861	$ 976,764	$ 10,819,386	$ 2,388,284	$ 2,697,437	$ 3,535,980	$ 2,197,685
Depletion and depreciation	(1,295,862)	(645,070)	(192,825)	(358,957)	(99,008)	(1,317,073)	(401,168)	(352,396)	(542,504)	(21,005)
Cash production cost	8,081,531	3,098,021	1,488,852	2,616,904	877,756	9,502,313	1,987,116	2,345,041	2,993,476	2,176,680
Silver equivalent ounces sold	835,246	289,961	179,823	209,955	155,507	1,122,232	241,114	282,624	345,300	253,194
Cash cost per silver equivalent ounce	$ 9.68	$ 10.68	$ 8.28	$ 12.46	$ 5.64	$ 8.47	$ 8.24	$ 8.30	$ 8.67	$ 8.60
General and administrative expenses	2,902,604	804,862	842,362	372,636	882,744	4,193,461	1,063,807	1,099,269	1,061,272	969,113
Share-based payments and G&A depreciation	(576,475)	(266,833)	(304,231)	(1,244)	(4,167)	(57,610)	(10,106)	(40,844)	(9,292)	(17,580)
Cash operating cost	10,407,660	3,636,050	2,026,981	2,988,296	1,756,333	13,638,163	3,061,029	3,403,465	4,045,456	3,128,213
All-in sustaining cash cost per silver equivalent ounce	$ 12.46	$ 12.54	$ 11.27	$ 14.23	$ 11.29	$ 12.15	$ 12.70	$ 12.04	$ 11.72	$ 12.36
Cash cost per silver equivalent ounce ($US)	$ 7.30	$ 8.01	$ 6.35	$ 9.68	$ 4.10	$ 6.62	$ 6.17	$ 6.34	$ 7.05	$ 6.93
All-in sustaining cash cost per silver equivalent ounce ($US)	$ 9.40	$ 9.40	$ 8.64	$ 11.05	$ 8.22	$ 9.50	$ 9.51	$ 9.20	$ 9.53	$ 10.09

During the fourth quarter of 2016, all-in sustaining cash cost per silver equivalent ounce at San Gonzalo increased compared to the third quarter as a result of lower grade, which was offset by an increase in tonnage processed and an increase in silver equivalent ounces sold.

Avino Mine	2016					2015				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Cost of sales	$ 16,014,498	$ 4,716,647	$ 5,573,595	$ 5,724,256	$ —	$ —	$ —	$ —	$ —	$ —
Depletion and depreciation	(1,218,861)	(401,127)	(466,268)	(351,466)	—	—	—	—	—	—
Cash production cost	14,795,637	4,315,520	5,107,327	5,372,790	—	—	—	—	—	—
Silver equivalent ounces sold	1,200,372	354,518	428,972	416,882	—	—	—	—	—	—
Cash cost per silver equivalent ounce	$ 12.33	$ 12.17	$ 11.91	$ 12.89						
General and administrative expenses	3,733,427	984,056	2,009,470	739,901	—	—	—	—	—	—
Share-based payments and G&A depreciation	(1,054,459)	(326,240)	(725,570)	(2,469)	—	—	—	—	—	—
Cash operating cost	17,474,605	4,973,336	6,391,047	6,110,222	—	—	—	—	—	—
All-in sustaining cash cost per silver equivalent ounce	$ 14.56	$ 14.03	$ 14.90	$ 14.66	$ —	$ —	$ —	$ —	$ —	$ —
Cash cost per silver equivalent ounce ($US)	$ 9.30	$ 9.12	$ 9.13	$ 10.00	$ —	$ —	$ —	$ —	$ —	$ —
All-in sustaining cash cost per silver equivalent ounce ($US)	$ 10.99	$ 10.51	$ 11.42	$ 11.38	$ —	$ —	$ —	$ —	$ —	$ —

At the start the second quarter of 2016, the Company commenced production at the Avino Mine. Cash cost and all-in sustain cost per silver equivalent ounce at Avino have remained relatively constant over the three quarters of production.

Avino Historical Stockpiles	2016					2015				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Cost of sales	$ —	$ —	$ —	$ —	$ —	$ 142,308	$ —	$ 142,308	$ —	$ —
Depletion and depreciation	—	—	—	—	—	(6,345)	—	(6,345)	—	—
Cash production cost	—	—	—	—	—	135,963	—	135,963	—	—
Silver equivalent ounces sold	—	—	—	—	—	17,797	—	17,797	—	—
Cash cost per silver equivalent ounce	$ —	$ —	$ —	$ —	$ —	$ 7.64	$ —	$ 7.64	$ —	$ —
General and administrative expenses	—	—	—	—	—	63,212	—	63,212	—	—
Share-based payments and G&A depreciation	—	—	—	—	—	(1,368)	—	(1,368)	—	—
Cash operating cost	—	—	—	—	—	197,808	—	197,808	—	—
All-in sustaining cash cost per silver equivalent ounce	$ —	$ —	$ —	$ —	$ —	$ 11.11	$ —	$ 11.11	$ —	$ —
Cash cost per silver equivalent ounce ($US)	$ —	$ —	$ —	$ —	$ —	$ 5.98	$ —	$ 5.98	$ —	$ —
All-in sustaining cash cost per silver equivalent ounce ($US)	$ —	$ —	$ —	$ —	$ —	$ 8.69	$ —	$ 8.69	$ —	$ —

During 2016, the Company did not sell material from the historic stockpiles, as Mill Circuit 2 was used to process San Gonzalo and Avino Mine material.

Consolidated	2016 Year	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Year	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Cost of sales	$ 25,391,891	$ 8,459,738	$ 7,255,272	$ 8,700,117	$ 976,764	$ 10,961,694	$ 2,388,284	$ 2,839,746	$ 3,535,980	$ 2,197,685
Depletion and depreciation	(2,514,723)	(1,046,197)	(659,093)	(710,423)	(99,008)	(1,323,418)	(401,168)	(358,742)	(542,504)	(21,005)
Cash production cost	22,877,168	7,413,541	6,596,179	7,989,694	877,756	9,638,276	1,987,116	2,481,004	2,993,476	2,176,680
Silver equivalent ounces sold	2,035,618	644,479	608,795	626,837	155,507	1,140,029	241,114	300,421	345,300	253,194
Cash cost per silver equivalent ounce	$ 11.24	$ 11.50	$ 10.83	$ 12.75	$ 5.64	$ 8.45	$ 8.24	$ 8.26	$ 8.67	$ 8.60
General and administrative expenses	6,636,031	1,788,918	2,851,832	1,112,537	882,744	4,256,673	1,063,807	1,162,481	1,061,272	969,113
Share-based payments and G&A depreciation	(1,630,934)	(593,073)	(1,029,981)	(3,713)	(4,167)	(58,978)	10,106	(42,212)	(9,292)	(17,580)
Cash operating cost	27,882,265	8,609,386	8,418,028	9,098,518	1,756,333	13,835,971	3,061,029	3,601,273	4,045,456	3,128,213
All-in sustaining cash cost per silver equivalent ounce	$ 13.70	$ 13.36	$ 13.83	$ 14.51	$ 11.29	$ 12.14	$ 12.70	$ 11.99	$ 11.72	$ 12.36
Cash cost per silver equivalent ounce ($US)	$ 8.48	$ 8.62	$ 8.30	$ 9.89	$ 4.10	$ 6.61	$ 6.17	$ 6.31	$ 7.05	$ 6.93
All-in sustaining cash cost per silver equivalent ounce ($US)	$ 10.34	$ 10.01	$ 10.60	$ 11.27	$ 8.22	$ 9.49	$ 9.51	$ 9.16	$ 9.53	$ 10.09

The Company continues to review its expenditures, and is maintaining cost reduction programs in key areas to achieve lower costs. Ongoing cost reduction activities include negotiating more favourable terms with vendors, while maintenance costs are expected to decrease as a result of utilizing newer mining equipment.

Cash Flow per Share

Cash flow per share is determined based on operating cash flows before movements in working capital, as illustrated in the consolidated statements of cash flows, divided by the basic and diluted weighted average shares outstanding during the period.

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
Operating cash flows before movements in working capital	$ 2,739,713	$ (1,051,003)	$ 7,572,261	$ 453,878
Weighted average number of shares outstanding				
Basic	47,822,998	36,731,526	42,695,999	36,229,424
Diluted	48,921,692	36,965,329	43,791,451	36,723,725
Cash Flow per Share – basic	**$ 0.06**	**$ (0.03)**	**$ 0.18**	**$ 0.01**
Cash Flow per Share – diluted	**0.06**	**(0.03)**	**0.17**	**0.01**

Working Capital

	December 31, 2016	December 31, 2015
Current assets	$ 47,166,811	$ 20,047,773
Current liabilities	(15,873,792)	(14,044,216)
Working Capital	$ 31,293,019	$ 6,003,557

Review of Financial Results

Selected Annual Information

The following financial data is derived from the Company's financial statements for the three most recently completed financial years:

	December 31, 2016	December 31, 2015	December 31, 2014	Notes
Revenues	$ 39,895,591	$ 19,082,847	$ 19,297,953	1
Cost of sales	25,391,891	10,961,694	11,393,404	2
Mine operating income	14,503,700	8,121,153	7,904,549	
Operating expenses	6,636,031	4,256,672	4,019,378	3
Net income	1,992,479	483,424	2,514,169	4
Earnings per share – basic and diluted	0.05	0.01	0.08	4
Total assets	125,937,065	87,341,992	61,416,147	5
Total non-current financial liabilities	11,901,866	10,418,792	2,007,010	6
Working capital	31,293,019	6,003,557	6,617,877	7

1. Revenues were significantly higher in 2016 compared to 2015 and 2014, as the Avino Mine entered into production effective April 1, 2016. This was slightly offset by lower sales of San Gonzalo concentrate as a result of lower grades and less silver and gold ounces produced and sold. Although 2015 revenues were consistent with 2014, the Company realized significantly lower average metal prices. The decrease in metal prices between 2015 and 2014 was offset by an increase in foreign exchange rates.
2. Costs of sales reflect the costs of the production for the Avino and San Gonzalo mines. The gross margin on the sale of San Gonzalo concentrates is consistent with prior periods. The Company utilizes both production and development methods of mining. The costs associated with development mining are considerably higher and as a result there is an impact on the Company's consolidated gross margin. The Company expects to continue to improve the gross margin of the Avino Mine as it transitions from development mining, at a higher cost, to production mining in the coming months.
3. Operating expenses in 2016 increased compared to 2015 and 2014, which reflects expanding operations and corporate activity affecting fees and salaries, office expenses, investor relations costs, and regulatory and compliance fees incurred by the Company. Although the Company's operations are expanding, management continues to monitor operating expenses carefully to maintain efficient operations. Operating expenses can fluctuate due to infrequent events such as share-based payments.
4. Net income was higher in 2016 compared to 2015 primarily due to the profits generated from the commencement of production at the Avino Mine effective April 1, 2016. As the Company transitions to lower cost production mining from development mining, net income is expected to continue to increase.
5. Total assets increased significantly at December 31, 2016, compared to 2015 and 2014, primarily due to cash received from share and unit offerings, the addition of several pieces of new equipment, development and production at the Avino Mine and San Gonzalo Mine, continued exploration and evaluation activities at the Bralorne Mine during 2016 and 2015, as well as the acquisition of Bralorne Gold Mines Ltd. in 2014. The new equipment is used to maintain efficient operations at the San Gonzalo Mine and Avino Mine, as well as preparing the Bralorne Mine for mining operations.
6. Total non-current financial liabilities increased at December 31, 2016, compared to 2015 and 2014, primarily due to acquisitions of equipment through finance leases and loans, as well as the recognition of warrant liabilities during the year relating to the November 2016 bought-deal financing. The increase in 2015 from 2014 relates primarily to the receipt of US$10,000,000 relating to the term facility agreement with Samsung C&T U.K. Limited.
7. Working capital at December 31, 2016, increased compared to 2015, primarily due to cash provided by operating and financing activities, as well as the recognition of inventory at the Avino Mine following the commencement of production effective April 1, 2016.

Results of Operations

Summary of Quarterly Results

	2016				2015			
Quarter ended	Dec 31 Q4	Sep 30 Q3	Jun 30 Q2	Mar 31 Q1	Dec 31 Q4	Sep 30 Q3	Jun 30 Q2	Mar 31 Q1
Revenue	$ 12,006,667	$ 13,218,226	$ 11,918,749	$ 2,751,949	$ 3,860,109	$ 5,028,314	$ 5,908,883	$ 4,285,541
Earnings (Loss) for the quarter	1,217,821	1,166,699	(450,087)	58,046	370,675	(625,193)	361,655	376,287
Earnings (Loss) per share - basic	0.03	0.03	(0.01)	0.00	0.01	(0.02)	0.01	0.01
Earnings (Loss) per share - diluted	0.02	0.03	(0.01)	0.00	0.01	(0.02)	0.01	0.01
Total Assets	**$125,937,065**	**$104,662,910**	**$ 93,911,346**	**$ 85,683,111**	**$ 87,341,992**	**$ 81,567,998**	**$ 74,007,743**	**$ 70,197,816**

- Revenue in the second, third and fourth quarters of 2016 was higher than that of previous quarters as the Company commenced production at the Avino Mine effective April 1, 2016. The Company's consolidated statement of operations will reflect the revenues and related production costs from the Avino Mine going forward; this activity was reflected within exploration and evaluation assets on the Company's consolidated statement of financial position prior to April 1, 2016.
- Earnings for the third and fourth quarters of 2016 were higher compared to earnings of the preceding quarters primarily driven by continued profitable operations in Mexico.
- Total assets has steadily increased throughout the quarters as the Company continues to grow through debt and equity financings to advance its projects and acquire equipment.

Quarterly results will fluctuate with changes in revenues, cost of sales, general and administrative expenses, including non-cash items such as share-based payments, and other items including foreign exchange, fair value adjustments to the warrant liability, and deferred income taxes.

Three months ended December 31, 2016, compared to the three months ended December 31, 2015:

	2016	2015	Note
Revenue from Mining Operations	$ 12,006,667	$ 3,860,109	1
Cost of Sales	8,459,738	2,388,283	2
Mine Operating Income	3,546,929	1,471,826	2
Operating Expenses			
General and administrative expenses	1,200,028	1,063,806	3
Share-based payments	588,890	—	4
Income before other items	1,758,011	408,020	
Other Items			
Fair value adjustment on warrant liability	346,935	27,572	5
Interest and other income	56,073	8,929	
Accretion of reclamation provision	(195,609)	(34,996)	6
Finance cost	(188,940)	(14,238)	7
Foreign exchange gain (loss)	(72,370)	201,546	8
Interest expense	(36,250)	(43,901)	
Unrealized loss on long-term investments	(16,246)	(31,737)	
Net Income Before Income Taxes	1,651,604	521,195	
Income Taxes			
Current income tax expense	(905,559)	(2,065,564)	9
Deferred income tax recovery	471,776	1,915,044	9
	(433,783)	(150,520)	
Net Income	1,217,821	370,675	10
Earnings per Share			
Basic	$ 0.03	$ 0.01	10
Diluted	$ 0.02	$ 0.01	10

1. Revenues for the three months ended December 31, 2016 were $12,006,667 compared to $3,860,109 for the three months ended December 31, 2015. The increase of $8,146,558 reflects commencement of production at the Avino Mine effective April 1, 2016.

2. Mine operating income increased as a result of the commencement of production at the Avino Mine effective April 1, 2016. The Company's gross margin on the sale of San Gonzalo concentrates was consistent with the corresponding three months ended 2015; however, the current quarter now reflects the mine operating income from the Avino Mine. The Company expects to continue to improve the gross margin of the Avino Mine as it transitions from development mining, at a higher cost, to production mining in the coming months.

3. General and administrative expenses include management, consulting, and director fees, salaries, office expenses, investor relations, travel, and promotion. For the three months ended December 31, 2016, general and administrative expenses were $1,200,028 compared to $1,063,806 for the three months ended December 31, 2015. The increase of $136,222 from the comparative period reflects expanding operations and corporate activity affecting fees and salaries, office expenses, investor relations costs and regulatory and compliance fees incurred by the Company. Although the Company's operations are expanding, management continues to monitor general and administrative expenses carefully to maintain efficient operations.

4. Share-based payments include the issuance of stock options and the vesting of restricted share units ("RSUs") issued to directors, officers, employees and consultants of the Company. For the three months ended December 31, 2016, share-based payments were $588,890 compared to $Nil for the three months ended December 31, 2015. This increase is due to the vesting of RSUs granted during the year, and there were no RSUs granted during the previous year.

5. The fair value adjustment on the Company's warrant liability relates to the issuance of U.S. dollar denominated warrants which are re-valued each reporting period. The value of these warrants changes with the amounts of warrants outstanding, along with fluctuations in the US-Canadian dollar exchange rate and in the variables used in the valuation model.

6. Accretion of reclamation provision increased primarily due to the new provision relating to the Bralorne Mine recognized at the end of 2015.

7. Finance costs increased primarily due to issuance costs attributed to the warrant liability for the share purchase warrants issued in the November 2016 bought deal financing.

8. Foreign exchange gains and losses result from transactions in currencies other than the Canadian dollar. During the three months ended December 31, 2016, the U.S. dollar strengthened against the Mexican peso, but weakened against the Canadian dollar compared to the same quarter last year. This had an offsetting effect, and as such the foreign exchange gain was lower compared to the corresponding period in 2015.

9. Current income tax expense was $905,559 for the three months ended December 31, 2016, compared to $2,065,564 in the three months ended December 31, 2015. Deferred income tax recovery was $471,776 for the three months ended December 31, 2016, compared to $1,915,044 in the comparative quarter. Deferred income tax fluctuates due to movements in taxable and deductible temporary differences related to the special mining duty in Mexico and to changes in inventory, plant, equipment and mining properties, and exploration and evaluation assets, amongst other factors. The changes in current income taxes and deferred income taxes for the three months ended December 31, 2016 primarily relate to movements in the tax bases and increased mining profits at the Avino Mine property.

10. As a result of the foregoing, net income for the three months ended December 31, 2016, was $1,217,821, an increase of $847,146 compared to the three months ended December 31, 2015. The increase in net income increased basic and diluted earnings per share to $0.03 and $0.02, respectively, for the three months ended December 31, 2016, compared to $0.01 for both basic and diluted for the three months ended December 31, 2015.

Year ended December 31, 2016, compared to the year ended December 31, 2015:

	2016	2015	Note
Revenue from Mining Operations	$ 39,895,591	$ 19,082,847	**1**
Cost of Sales	25,391,891	10,961,694	**2**
Mine Operating Income	14,503,700	8,121,153	**2**
Operating Expenses			
General and administrative expenses	5,021,006	4,215,852	**3**
Share-based payments	1,615,025	40,820	**4**
Income before other income (expenses)	7,867,669	3,864,481	
Other Income (Expenses)			
Foreign exchange gain (loss)	207,076	(833,822)	**5**
Interest and other income	69,073	59,098	
Fair value adjustment on warrant liability	10,862	239,690	**6**
Accretion of reclamation provision	(284,636)	(136,925)	**7**
Finance cost	(188,940)	(14,238)	**8**
Interest expense	(166,636)	(180,079)	
Unrealized loss on long-term investments	(2,839)	(55,177)	
Net Income Before Income Taxes	7,511,629	2,943,028	
Income Taxes			
Current income tax expense	(4,187,048)	(3,587,796)	**9**
Deferred income tax recovery (expense)	(1,332,102)	1,128,192	**9**
	(5,519,150)	(2,459,604)	
Net Income	1,992,479	483,424	**10**
Earnings per Share			
Basic	$ 0.05	$ 0.01	**10**
Diluted	$ 0.05	$ 0.01	**10**

1. Revenues for the year ended December 31, 2016, were $39,895,591 compared to $19,082,847 for the year ended December 31, 2015. The increase of $20,812,744 reflects commencement of production at the Avino Mine effective April 1, 2016. Prior to April 1, 2016, the revenues, and related costs of production, were capitalized as exploration and evaluation assets.
2. Costs of sales reflect the costs of the production for the Avino and San Gonzalo mines. The gross margin on the sale of San Gonzalo concentrates is consistent with prior periods. The Company utilizes both production and development methods of mining. The costs associated with development mining are considerably higher and as a result there is an impact on the Company's consolidated gross margin. The Company expects to continue to improve the gross margin of the Avino Mine as it transitions from development mining to production mining in the coming months.
3. General and administrative expenses include management, consulting, and director fees, salaries, office expenses, investor relations, regulatory and compliance fees, travel and promotion. For the year ended December 31, 2016, general and administrative expenses were $5,021,006 compared to $4,215,852 for the year ended December 31, 2015. The increase from the comparative period reflects expanding operations and corporate activity affecting fees and salaries, office expenses, investor relations costs and regulatory and compliance fees incurred by the Company. Although the Company's operations are expanding, management continues to monitor general and administrative expenses carefully to maintain efficient operations.
4. Share-based payments include the issuance of stock options and the vesting of restricted share units ("RSUs") issued to directors, officers, employees and consultants of the Company. For the year ended December 31, 2016, share-based payments were $1,615,025 compared to $40,820 for the year ended December 31, 2015. This is due to the issuance of 802,500 stock options and 790,000 RSUs in 2016, compared to 50,000 stock options and no RSUs in the previous period.
5. Foreign exchange gains and losses result from transactions in currencies other than the Canadian dollar. During the year ended December 31, 2016, the Canadian dollar strengthened against the U.S. dollar, but this was partially offset by the strengthening of the U.S dollar against the Mexican peso. These fluctuations in currencies resulted in an unrealized foreign exchange gain on translation into Canadian dollars.

6. The fair value adjustment on the Company's warrant liability relates to the issuance of U.S. dollar denominated warrants which are re-valued each reporting period. The value of these warrants changes with fluctuations in the US-Canadian dollar exchange rate and in the variables used in the valuation model.
7. Accretion of reclamation provision increased primarily due to the new provision relating to the Bralorne Mine recognized at the end of 2015.
8. Finance costs increased primarily due to issuance costs attributed to the warrant liability for the share purchase warrants issued in the November 2016 bought deal financing.
9. Current income tax expense was $4,187,048 in the year ended December 31, 2016, compared to $3,587,796 in the year ended December 31, 2015. The increase in Mexican tax on current income reflects continued profitable operations in Mexico.

   Deferred income tax expense was $1,332,102 for the year ended December 31, 2016, compared to a recovery of $1,128,192 in the comparative year. Deferred income tax fluctuates due to movements in taxable and deductible temporary differences related to the special mining duty in Mexico and to changes in inventory, plant, equipment and mining properties, and exploration and evaluation assets, amongst other factors.
10. As a result of the foregoing, net income for the year ended December 31, 2016, was $1,992,479, an increase of $1,509,055 compared to the year ended December 31, 2015. The increase in net income has increased basic and diluted earnings per share from earnings of $0.01 for the year ended December 31, 2015, to $0.05 for the year ended December 31, 2016.

Liquidity and Capital Resources

The Company's ability to generate sufficient amounts of cash, in both the short term and the long term, to maintain existing capacity and to fund ongoing exploration is dependent upon the discovery of economically recoverable reserves or resources and the ability of the Company to obtain the financing necessary to generate and sustain profitable operations.

Management expects that the Company's ongoing liquidity requirements will be funded from cash and generated from current operations and from further financing as required in order to fund ongoing exploration activities and meet its objectives, including ongoing advancement at the Avino Mine. The Company continues to evaluate financing opportunities to advance its projects. The Company's ability to secure adequate financing is in part dependent on overall market conditions, the prices of silver, gold, and copper, and other factors outside the Company's control, and there is no guarantee the Company will be able to secure any or all necessary financing in the future. The Company's recent financing activities are summarized in the table below.

Intended Use of Proceeds	Actual Use of Proceeds
In November 2016, the Company received gross proceeds of US$11,185,355 in connection with a bought-deal offering issued under prospectus supplement. The Company intends to use the proceeds to advance the exploration and development of the Company's Avino Mine and Bralorne Mine, both of which are expected to receive major upgrades in 2017, and for general working capital. Since July 2014, the Company received gross proceeds of US$13,346,561 in connection with a brokered at-the-market offering issued under prospectus supplements. The Company intends to use the proceeds to advance the exploration of the Bralorne Mine property and the Avino property, and for working capital. In July 2015, the Company entered into a term facility agreement with Samsung C&T U.K. Limited for US$10,000,000. The facility will be used for mining equipment, to optimize the advancement of the Company's projects for increased productivity, for improvements to its tailings impoundment facilities, and for general working capital requirements.	As of the date of this MD&A, the Company had used, and was continuing to use, the funds as intended. There has been no impact on the ability of the Company to achieve its business objectives and milestones. In advancing the Avino Mine, and in supporting mining operations in Mexico, the Company incurred expenditures of $5,744,502 for exploration and evaluation activities (excluding depreciation of $273,029 and foreign exchange of $288,230, and before proceeds from sale of concentrate), acquired property and equipment of $3,448,032, and made lease and loan repayments of $2,432,915 during the year ended December 31, 2016. In advancing the Bralorne Mine, the Company incurred expenditures of $5,978,694 for exploration and evaluation activities (excluding depreciation of $628,308 and other non-cash expenses of $174,184), acquired property and equipment of $1,683,498, and made lease and loan repayments of $381,881. The Company intends to continue to explore its properties, subject to market conditions and the ability to continue to obtain suitable financing.
In May 2015, the Company entered into a master credit facility with Sandvik Customer Finance LLC for US$5,000,000. The facility is being used to acquire equipment necessary for continuing exploration and mining activities at the Avino and Bralorne Mines.	As of the date of this MD&A, the Company had used, and was continuing to use, the facility as intended, and there was US$3,305,900 in available credit remaining under the facility. There has been no impact on the ability of the Company to achieve its business objectives and milestones.
In December 2014, the Company's master credit facility with Caterpillar Finance was renewed for US$5,375,400. The facility is being used to acquire equipment necessary for advancing operations at the San Gonzalo Mine and at the Avino Mine.	As of the date of this MD&A, the Company had used, and was continuing to use, the facility as intended, and there was US$3,389,976 in available credit remaining under the facility. There has been no impact on the ability of the Company to achieve its business objectives and milestones.

Discussion and analysis relating to the Company's liquidity as at December 31, 2016, and December 31, 2015, is as follows:

Statement of Financial Position

	December 31, 2016	December 31, 2015
Cash	$ 15,816,628	$ 7,475,134
Working capital	31,293,019	6,003,557
Accumulated Deficit	(23,181,003)	(25,406,432)

Cash Flow

	December 31, 2016	December 31, 2015
Cash generated by (used in) operating activities	$ 6,716,265	$ (2,622,111)
Cash generated by financing activities	26,384,121	14,452,849
Cash used in investing activities	(24,122,754)	(8,885,687)
Change in cash	8,977,632	2,945,051
Effect of exchange rate changes on cash	(636,138)	280,289
Cash, beginning of year	7,475,134	4,249,794
Cash, end of year	$ 15,816,628	$ 7,475,134

Operating Activities:

Cash generated by operating activities for the year ended December 31, 2016, was $6,716,265 compared to cash used in operating activities of $2,622,111 for the year ended December 31, 2015. Cash generated or used by operating activities can fluctuate with changes in net income, non-cash items, such as foreign exchange and deferred income tax expenses, and working capital.

Financing Activities:

Cash generated by financing activities was $26,384,121 for the year ended December 31, 2016, compared to $14,452,849 in the year ended December 31, 2015, an increase of $11,931,272. Cash provided by financing activities for the year ended December 31, 2016, relates to the issuance of common shares and warrants in brokered bought-deal and at-the-market offerings issued under prospectus supplements, as well as the issuance of common shares upon the exercise of stock options. During the year ended December 31, 2016, the Company issued common shares and warrants through the aforementioned offerings generating net cash flows of $28,801,521 (2015 – $1,445,799), and employees, consultants, and directors exercised stock options generating cash flows of $1,258,530 (2015 – $937,740). During the year ended December 31, 2016, the Company also made finance lease and equipment loan payments of $2,814,796 (2015 - $1,770,690), and a payment of $861,134 on the term facility. During the year ended December 31, 2015, the Company also received proceeds of $13,840,000 on the term facility from Samsung. In June 2016, the Company and Samsung C&T U.K. Ltd. amended the concentrates prepayment agreement, extending the sales of Avino Mine concentrates to December 2019 and deferring monthly repayments on the term facility provided under the agreement to the period June 2017 through July 2018.

Investing Activities:

Cash used in investing activities for the year ended December 31, 2016, was $24,122,754 compared to $8,885,687 for the year ended December 31, 2015. Cash used in investing activities during the year ended December 31, 2016, includes cash expenditures of $5,131,530 (2015 - $5,108,935) on the acquisition of property and equipment. Equipment purchases included new mining, milling/processing, and transportation equipment for the Company's San Gonzalo Mine and Avino Mine, and exploration and mining equipment for the Bralorne Mine. During the year ended December 31, 2016, the Company also incurred cash expenditures of $11,723,196 (2015 - $26,052,048) on exploration and evaluation activities, of which $5,744,502 relate to the exploration and advancement of the Avino Mine and $5,978,694 relate to the exploration and advancement of the Bralorne Mine. The cash expenditures on exploration and evaluation activities were reduced by concentrate sales of $6,158,972 (2015 - $21,501,272) for the Avino Mine and $Nil (2015 - $774,024) for the Bralorne Mine. During the year ended December 31, 2016, the Company also purchased short-term investments (comprised of term deposits) of $13,427,000 (2015 - $Nil).

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

All related party transactions are recorded at the exchange amount which is the amount agreed to by the Company and the related party.

(a) *Key management personnel*
The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the years ended December 31, 2016, 2015, and 2014 were as follows:

	2016	2015	2014
Salaries, benefits, and consulting fees	$ 1,691,862	$ 1,700,364	$ 957,900
Share-based payments	1,180,315	—	645,750
	$ 2,872,177	$ 1,700,364	$ 1,603,650

(b) *Amounts due to/from related parties*
In the normal course of operations the Company transacts with companies related to Avino's directors or officers. All amounts payable and receivable are non-interest bearing, unsecured and due on demand. Advances to Oniva International Services Corp. of $148,912 (December 31, 2015 - $187,532) for expenditures to be incurred on behalf of the Company are included in prepaid expenses and other assets on the consolidated statements of financial position as at December 31, 2016. As at December 31, 2016 and 2015, the following amounts were due to related parties:

	2016	2015
Oniva International Services Corp.	$ 170,280	$ 164,285
Directors	60,313	47,741
Jasman Yee & Associates, Inc.	5,633	5,796
Intermark Capital Corp.	26,250	—
Wear Wolfin Designs Ltd.	5,250	—
	$ 267,726	$ 217,822

(c) *Other related party transactions*
The Company has a cost sharing agreement with Oniva International Services Corp. ("Oniva") for office and administration services. Pursuant to the cost sharing agreement, the Company will reimburse Oniva for the Company's percentage of overhead and corporate expenses and for out-of-pocket expenses incurred on behalf of the Company. The cost sharing agreement may be terminated with one-month notice by either party without penalty.

The transactions with Oniva during the years ended December 31, 2016, 2015 and 2014 are summarized below:

		2016		2015		2014
Salaries and benefits	$	393,317	$	309,593	$	316,281
Office and miscellaneous		671,259		502,089		428,019
Exploration and evaluation assets		329,052		311,002		—
	$	1,393,628	$	1,122,684	$	744,300

Salaries and benefits for 2016 above includes $Nil (2015 - $9,593, 2014 - $48,424) for key management personnel compensation that has been included in Note 14(a).

For services provided to the Company as President and Chief Executive Officer, the Company pays Intermark Capital Corporation ("ICC"), a company controlled by David Wolfin, for consulting services. For the years ended December 31, 2016, 2015 and 2014, the Company paid $667,200, $793,200, and $433,333 respectively to ICC.

The Company pays Jasman Yee & Associates, Inc. ("JYAI") for operational, managerial, metallurgical, engineering and consulting services related to the Company's activities. JYAI's managing director is a director of the Company. For the years ended December 31, 2016, 2015 and 2014, the Company paid $185,720, $176,640, and $74,160 respectively to JYAI.

The Company pays Wear Wolfin Designs Ltd. ("WWD"), a company whose director is the brother-in-law of David Wolfin, for financial consulting services related to ongoing consultation with stakeholders and license holders. For the years ended December 31, 2016, 2015 and 2014, the Company paid $30,000, $30,000, and $30,000 respectively to WWD.

Financial Instruments and Risks

The fair values of the Company's amounts due to related parties and accounts payable approximate their carrying values because of the short-term nature of these instruments. Cash, amounts receivable, short-and long-term investments, and warrant liability are recorded at fair value. The carrying amounts of the Company's term facility, equipment loans, and finance lease obligations are a reasonable approximation of their fair values based on current market rates for similar financial instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and market risk.

a) *Credit Risk*
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company has exposure to credit risk through its cash, short-term investments and amounts receivable.

The Company manages credit risk, in respect of cash and short-term investments, by maintaining the majority of cash and short-term investments at highly rated financial institutions.

The Company is exposed to a significant concentration of credit risk with respect to its trade accounts receivable balance because all of its concentrate sales are with three (2015 – three) counterparties. However, the Company has not recorded any allowance against its trade receivables because to-date all balances owed have been settled in full when due (typically within 60 days of submission) and because of the nature of the counterparties.

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the consolidated statement of financial position. At December 31, 2016, no amounts were held as collateral.

b) *Liquidity Risk*
Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by its operating, investing and financing activities. The Company had cash at December 31, 2016 in the amount of $15,816,628 (2015 - $7,475,134) in order to meet short-term business requirements. At December 31, 2016, the Company had current liabilities of $15,873,792 (2015 - $14,044,216) and working capital of $31,293,019 (2015 - $6,003,557). Accounts payable have contractual maturities of approximately 30 to 90 days, or are due on demand and are subject to normal trade terms. The current portions of term facility, equipment loans, and finance lease obligations are due within 12 months of the consolidated statement of financial position date. Amounts due to related parties are without stated terms of interest or repayment.

The maturity profiles of the Company's contractual obligations and commitments as at December 31, 2016 are summarized as follows:

	Total	Less Than 1 year	1-5 years	More Than 5 Years
Accounts payable and accrued liabilities	$5,004,583	$5,004,583	$ —	$ —
Due to related parties	267,726	267,726	—	—
Minimum rental and lease payments	2,842,915	2,068,276	747,823	26,816
Term facility	12,531,867	6,265,934	6,265,933	—
Equipment loans	3,085,244	1,423,384	1,661,860	—
Finance lease obligations	4,040,607	2,050,344	1,990,263	—
Total	$27,772,942	$17,080,247	$10,665,879	$ 26,816

c) *Market Risk*

Market risk consists of interest rate risk, foreign currency risk and price risk. These are discussed further below.

Interest Rate Risk

Interest rate risk consists of two components:

i. To the extent that payments made or received on the Company' s monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

ii. To the extent that changes in prevailing market rates differ from the interest rates on the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

In management's opinion, the Company is not exposed to significant interest rate cash flow risk as the Company's term facility, equipment loans, and finance lease obligations bear interest at fixed rates.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in Mexican pesos and US dollars:

	December 31, 2016		December 31, 2015	
	MXN	USD	MXN	USD
Cash	$ 15,997,014	$ 7,021,861	$ 3,876,257	$ 4,647,007
Short-term investments	—	13,427,000	—	—
Amounts receivable	—	3,017,264	—	2,624,555
Accounts payable and accrued liabilities	(21,006,749)	(3,230,831)	(12,173,726)	(1,534,765)
Warrant liability	—	(1,629,797)	—	—
Term facility	—	(9,333,333)	—	(10,000,000)
Equipment loans	—	(1,107,696)	—	(313,052)
Finance lease obligations	(865,526)	(1,678,219)	(155,669)	(2,567,593)
Net exposure	(5,875,261)	6,486,249	(8,453,138)	(7,143,848)
Canadian dollar equivalent	$ (381,814)	$ 8,709,088	$ (680,890)	$ (9,887,086)

Based on the net Canadian dollar denominated asset and liability exposures as at December 31, 2016, a 10% fluctuation in the Canadian/Mexican and Canadian/US exchange rates would impact the Company's earnings for the year ended December 31, 2016 by approximately $874,727 (2015 - $981,899, 2014 - $45,188). The Company has not entered into any foreign currency contracts to mitigate this risk.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed to price risk with respect to its accounts receivable, as certain trade accounts receivable are recorded based on provisional terms that are subsequently adjusted according to quoted metal prices at the date of final settlement. Quoted metal prices are affected by numerous factors beyond the Company's control and are subject to volatility, and the Company does not employ hedging strategies to limit its exposure to price risk. At December 31, 2016, based on outstanding accounts receivable that were subject to pricing adjustments, a 10% change metals prices would have an impact on net earnings (loss) of approximately $769,982 (2015 - $481,448, 2014 - $699,866).

The Company is exposed to price risk with respect to its long-term investments, as certain of these investments are carried at fair value based on quoted market prices. Changes in market prices result in gains or losses being recognized in net income (loss). At December 31, 2016, a 10% change in market prices would have an impact on net earnings of approximately $3,587 (2015 - $3,871, 2014 - $5,389).

The Company's profitability and ability to raise capital to fund exploration, evaluation and production activities is subject to risks associated with fluctuations in mineral prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

d) *Classification of Financial instruments*

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) 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 (unobservable inputs).

The following table sets forth the Company's financial assets and financial liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as at December 31, 2016:

	Level 1	Level 2	Level 3
Financial Assets			
Cash	$ 15,816,628	$ —	$ —
Short-term investments	13,427,000	—	—
Amounts receivable	—	4,095,249	—
Long-term investments	35,873	—	—
Financial liabilities			
Warrant liability	—	—	(2,188,328)
Total financial assets and liabilities, net	$ 29,279,501	$ 4,095,249	$ 2,188,328

Commitments

The Company has a cost sharing agreement to reimburse Oniva for a percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of the Company, and to pay a percentage fee based on Oniva's total overhead and corporate expenses. The agreement may be terminated with one-month notice by either party. Transactions and balances with Oniva are disclosed under the heading "Transactions with Related Parties".

The Company and its subsidiaries have various operating lease agreements for their office premises, use of land, and equipment. Commitments in respect of these lease agreements are as follows:

	December 31, 2016	December 31, 2015
Not later than one year	$ 2,068,276	$ 209,063
Later than one year and not later than five years	747,823	749,242
Later than five years	26,816	43,951
	$ 2,842,915	$ 1,002,256

Office lease payments recognized as an expense during the year ended December 31, 2016 totalled $109,600 (2015 - $111,206; 2014 - $90,883).

Critical Accounting Estimates

The Company's management makes judgments in its process of applying the Company's accounting policies to the preparation of its consolidated financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of the impacts on the carrying amounts of the Company's assets and liabilities at the end of the reporting period from uncertain future events and on the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

a) Critical judgments exercised by management in applying accounting policies that have the most significant effect on the amounts presented in these consolidated financial statements are as follows:

   i. ***Economic recoverability and probability of future economic benefits from exploration and evaluation costs***
   Management has determined that mine and camp, exploratory drilling, and other exploration and evaluation-related costs that were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and metallurgic information, scoping studies, accessible facilities, existing permits, and mine plans.

   ii. ***Commencement of production at levels intended by management***
   Prior to reaching production levels intended by management, costs incurred are capitalized as part of the costs of related exploration and evaluation assets, and proceeds from concentrate sales are offset against costs capitalized. Depletion of capitalized costs for mining properties and depreciation of plant and equipment begin when operating levels intended by management have been reached. Management considers several factors in determining when a mining property has reached the intended production levels, including production capacity, recoveries, and number of uninterrupted production days. The results of operations of the Company during the periods presented in the consolidated financial statements have been impacted by management's determination that the San Gonzalo Mine and Avino Mine had achieved production levels intended by management as of October 1, 2012, and April 1, 2016, respectively, and that none of the Company's exploration and evaluation assets had achieved production levels intended by management as at December 31, 2016.

   The basis for achievement of production levels intended by management as indicated by technical feasibility and commercial viability is generally established with proven reserves based on a NI 43-101-compliant technical report or a comparable resource statement and feasibility study, combined with pre-production operating statistics and other factors. In cases where the Company does not have a 43-101-compliant reserve report on which to base a production decision, the technical feasibility and commercial viability of extracting a mineral resource are considered in light of additional factors including but not limited to:

   - Acquisition and installation of all critical capital components to achieve desired mining and processing results has been completed. Capital components have been acquired directly and are also available on an as-needed basis from the underground mining contractor;
   - The necessary labour force, including mining contractors, has been secured to mine and process at planned levels of output;
   - The mill has consistently processed at levels above design capacity and budgeted production levels with consistent recoveries and grades; and,
   - Establishing sales agreements with respect to the sale of concentrates.

   When technical feasibility and commercial viability are considered demonstrable according to the above criteria and other factors, the Company performs an impairment assessment and records an impairment loss, if any, before reclassifying exploration and evaluation costs to plant, equipment, and mining properties.

   iii. ***Functional currency***
   The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of the Company and its Canadian subsidiary to be the Canadian dollar. The Company has determined the functional currency of its Mexican subsidiaries to be the U.S. dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

b) Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made relate to, but are not limited to, the following:

   i. ***Stockpile and concentrate inventory valuations***
   Concentrate and stockpile mineralized material are valued at the lower of average cost or net realizable value. The assumptions used in the valuation of concentrate and stockpile mineralized material include estimates of copper, silver and gold contained in the stockpiles and finished goods assumptions for the amount of copper, silver and gold that is expected to be recovered from the concentrate. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its concentrate and stockpile mineralized material inventory, which would result in an increase in the Company's expenses and a reduction in its working capital.

ii. ***Estimated reclamation provisions***
The Company's provision for reclamation represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the Avino, San Gonzalo, and Bralorne properties. The provision reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above factors could result in a change to the provision recognized by the Company.

Changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amounts of the related exploration and evaluation assets or mining properties. Adjustments to the carrying amounts of related mining properties result in a change to future depletion expense.

iii. ***Valuation of share-based payments***
The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect fair value estimates and the Company's net income or net loss and its equity reserves.

iv. ***Impairment of plant, equipment, mining properties, and exploration and evaluation assets***
Management considers both external and internal sources of information in assessing whether there are any indications that the Company's plant, equipment, mining properties, and exploration and evaluation assets are impaired. External sources of information management considers include changes in the market, economic and legal environments, in which the Company operates, that are not within its control and that affect the recoverable amount of its plant, equipment and mining properties. Internal sources of information that management considers include the manner in which mining properties and plant and equipment are being used, or are expected to be used, and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's plant, equipment, and mining properties, management makes estimates of the undiscounted future pre-tax cash flows expected to be derived from the Company's mining properties, and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non expansionary capital expenditures, reductions in the amount of recoverable resources and exploration potential, and adverse current economic conditions are examples of factors that could result in a write down of the carrying amounts of the Company's plant, equipment, mining properties, and exploration and evaluation assets.

v. ***Depreciation rate for plant and equipment and depletion rate for mining properties***
Depreciation and depletion expenses are allocated based on estimates for useful lives of assets. Should the asset life, depletion rates, or depreciation rates differ from the initial estimate, the revised life or rate would be reflected prospectively through profit and loss.

vi. ***Recognition and measurement of deferred tax assets and liabilities***
Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities. This occurs subsequent to the issuance of the consolidated financial statements and the final determination of actual amounts may not be completed for a number of years. Therefore, tax assets and liabilities and net income in subsequent periods will be affected by the amount that estimates differ from the final tax return. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that could materially affect the amounts of deferred tax assets and liabilities.

Changes in Accounting Standards

Application of new and revised accounting standards:

Annual Improvements to IFRSs 2012-2014 Cycle

In September 2014, the IASB issued the Annual Improvements 2012-2014 cycle, effective for annual periods beginning on or after January 1, 2016. The amendments did not have an impact on the Company's consolidated financial statements.

Changes in accounting standards not yet effective:

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective. The following accounting standards were issued but not yet effective as of December 31, 2016:

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step model framework for the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("IFRS 9") to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected-loss' impairment model, as well as a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The classification of financial assets and liabilities is expected to remain consistent under IFRS 9 with the possible exception of equity securities. Under IFRS 9, the Company will have the option to designate equity securities as financial assets at fair value through other comprehensive income. If the Company does not make this election, changes in the fair value of equity securities will continue to be recognized in profit or loss in accordance with the Company's current policy.

The introduction of the new 'expected credit loss' impairment model is not expected to have an impact on the Company, given the Company sells its concentrate to large international organizations with a negligible historical level of customer default, and the corresponding receivables from these sales are short-term in nature.

The Company expects the above potential changes to be the only impacts, as the Company currently has no hedging arrangements. The above assessments were made based on an analysis of the Company's financial assets and financial liabilities at December 31, 2016, on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application, the assessment of the potential impact is subject to change.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17 – Leases and its associated interpretative guidance, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares without par value.

As at March 1, 2017, the following common shares, warrants, stock options and restricted share units ("RSUs") were outstanding:

	Number of shares	Exercise price	Remaining life (years)
Share capital	52,431,001	—	—
Warrants	3,602,215	US$1.00 - US$2.00	2.04 – 2.75
Stock options	1,968,500	$1.60 - $2.95	0.97 – 4.51
RSUs	787,500	—	4.51
Total	58,789,216		

The following are details of outstanding stock options as at December 31, 2016, and March 1, 2017:

Expiry Date	Exercise Price Per Share	Number of Shares Remaining Subject to Options (December 31/16)	Number of Shares Remaining Subject to Options (March 1/17)
February 18, 2018	$ 1.60	147,500	147,500
September 9, 2018	$ 1.62	296,000	286,000
September 19, 2019	$ 1.90	667,500	667,500
December 22, 2019	$ 1.90	105,000	105,000
September 2, 2021	$ 2.95	762,500	762,500
Total:		**1,978,500**	**1,968,500**

The following are details of outstanding warrants as at December 31, 2016, and March 1, 2017:

Expiry Date	Exercise Price Per Share	Number of Underlying Shares (December 31/16)	Number of Underlying Shares (March 1/17)
February 25, 2017	US$ 2.87	1,033,059	—
March 14, 2019	US$ 1.00	40,000	40,000
November 28, 2019	US$ 2.00	3,562,215	3,562,215
Total:		**4,635,274**	**3,602,215**

The following are details of outstanding RSUs as at December 31, 2016, and March 1, 2017:

Expiry Date	Number of Shares Remaining Subject to RSUs (December 31, 2016)	Number of Shares Remaining Subject to RSUs (March 1, 2017)
September 2, 2021	787,500	787,500

Disclosure Controls and Procedures

Management has designed and evaluated the effectiveness of the Company's disclosure controls and procedures on financial reporting (as defined in NI 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings) and has concluded that, based on its evaluation, they are effective as of December 31, 2016, to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.

Internal Controls over Financial Reporting (“ICFR”)

The management of the Company is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls over financial reporting is a process to provide reasonable assurance regarding the reliability of the Company’s financial reporting for external purposes in accordance with IFRS. Internal controls over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect the Company’s transactions and dispositions of the assets of the Company; providing reasonable assurance that transactions are recorded as necessary for preparation of the Company’s consolidated financial statements in accordance with IFRS; providing reasonable assurance that receipts and expenditures are made in accordance with authorizations of management and the directors of the Company; and providing reasonable assurance that unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the Company’s consolidated financial statements would be prevented or detected on a timely basis.

Our management and the Board of Directors do not expect that our disclosure controls and procedures or internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable (not absolute) assurance that the control system’s objectives will be met. Further, the design, maintenance and testing 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 gaps and instances of fraud have been detected. These inherent limitations include the reality that judgment in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design, maintenance and testing of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any control system may not succeed in achieving its stated goals under all potential future conditions.

Management conducted an evaluation of the effectiveness of the Company’s internal controls over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013) (‘COSO’). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management concluded that the Company’s internal controls over financial reporting were not effective as of December 31, 2016 due to a material weakness in controls as noted below.

Despite significant improvements in internal control effectiveness since December 31, 2015, a material weakness related to organizational governance still exists. Management identified certain principles in the COSO framework that require further development before they reach an appropriate level of maturity, as described below:

- A formal risk management process that involves all appropriate levels of management is not yet in place including a documented plan to respond to the identified risks.
- Certain policies have not been translated into Spanish for Company employees operating in Mexico, including an appropriate whistleblower program accessible to Spanish-speaking staff with a clear direction on how to report suspected incidents to an independent committee.

Management believes the material weakness identified is temporary, and has a remediation plan to be completed in the first quarter of 2017 that involves refining risk management oversight as well as ensuring all critical policies have been appropriately translated and disseminated to staff working in Mexico.

Based on the evaluation as at December 31, 2016, management, including the CEO and CFO, have concluded that there were material changes in the design of internal controls from the last annual reporting date of December 31, 2015. Corrective action was taken to remediate the material weaknesses around segregation of duties and lack of technical expertise. Avino has added resources in its financial reporting team and retained the services of technical experts with a view to removing the previously disclosed material weaknesses. In addition, management continues to maintain close involvement in the day to day activities, which provides an additional level of compensating controls.

Cautionary Statement

This MD&A is based on a review of the Company’s operations, financial position and plans for the future based on facts and circumstances as of March 1, 2017. Except for historical information or statements of fact relating to the Company, this document contains “forward-looking statements” within the meaning of applicable Canadian securities regulations. Forward-looking statements in this document include, but are not limited to, those regarding the economic outlook for the mining industry, expectations regarding metals prices, expectations regarding production output, production costs, cash costs and other operating results, expectations regarding growth prospects and the outlook for the Company’s operations, and statements regarding the Company’s liquidity, capital resources, and capital expenditures. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company’s documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change, except as required by applicable securities regulations. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Consolidated Financial Statements

For the years ended December 31, 2016, 2015 and 2014

Management's Responsibility For Financial Reporting

The consolidated financial statements of Avino Silver & Gold Mines Ltd. (the "Company") are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and reflect management's best estimates and judgments based on information currently available.

Management has developed and is maintaining a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit Committee reviews the results of the annual audit and reviews the consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015, and 2014 have been audited by Manning Elliott LLP, an independent registered public accounting firm, and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"David Wolfin"

David Wolfin
President & CEO
March 1, 2017

"Malcolm Davidson"

Malcolm Davidson, CPA, CA
Chief Financial Officer
March 1, 2017

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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Independent Auditor's Report

To the Shareholders of Avino Silver & Gold Mines Ltd.

We have audited the accompanying consolidated financial statements of Avino Silver & Gold Mines Ltd. which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of operations and comprehensive income, changes in equity and cash flows for the years ended December 31, 2016, 2015 and 2014, and the related 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 audits 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 Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. The Company is not required to have, nor were we engaged to perform, an audit of the Company's internal control over financial reporting; accordingly we express no such opinion. 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 financial position of Avino Silver & Gold Mines Ltd. as at December 31, 2016 and 2015, and the results of its operations and its cash flows for the years ended December 31, 2016, 2015 and 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Manning Elliott LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
March 1, 2017

AVINO SILVER & GOLD MINES LTD.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash		$ 15,816,628	$ 7,475,134
Short-term investments	5	13,427,000	—
Amounts receivable		4,095,249	3,730,317
Taxes recoverable	6	4,738,945	3,053,035
Prepaid expenses and other assets		1,295,942	1,177,053
Inventory	7	7,793,047	4,612,234
Total current assets		47,166,811	20,047,773
Exploration and evaluation assets	8	41,344,065	41,376,974
Plant, equipment and mining properties	10	37,244,816	25,733,033
Long-term investments	11	35,873	38,712
Reclamation bonds		145,500	145,500
Total assets		**$ 125,937,065**	**$ 87,341,992**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 5,004,583	4,178,571
Amounts due to related parties	12(b)	267,726	217,822
Current portion of term facility	13	6,265,934	6,458,660
Current portion of equipment loans	14	1,311,753	222,192
Current portion of finance lease obligations	15	1,926,427	1,815,747
Taxes payable		1,097,369	1,151,224
Total current liabilities		15,873,792	14,044,216
Term facility	13	6,265,933	7,381,340
Equipment loans	14	1,598,798	731,918
Finance lease obligations	15	1,848,807	2,305,534
Warrant liability	16	2,188,328	—
Reclamation provision	17	9,349,100	6,047,369
Deferred income tax liabilities	26	6,295,000	4,892,916
Total liabilities		**43,419,758**	**35,403,293**
EQUITY			
Share capital	18	91,527,462	62,262,954
Equity reserves		9,679,584	9,531,512
Treasury shares (14,180 shares, at cost)		(101,869)	(101,869)
Accumulated other comprehensive Income		4,593,133	5,652,534
Accumulated deficit		(23,181,003)	(25,406,432)
Total equity		**82,517,307**	**51,938,699**
Total liabilities and shareholders' equity		**$ 125,937,065**	**$ 87,341,992**

Commitments – Notes 8 and 21

Approved and authorized for issuance by the Board of Directors on March 1, 2017:

"Gary Robertson" Director "David Wolfin" Director

The accompanying notes are an integral part of the consolidated financial statements

AVINO SILVER & GOLD MINES LTD.

Consolidated Statements of Operations and Comprehensive Income

For the years ended December 31, 2016, 2015 and 2014 (Expressed in Canadian dollars)

	Note	2016	2015	2014
Revenue from mining operations	**19**	$ 39,895,591	$ 19,082,847	$ 19,297,953
Cost of sales	**19**	25,391,891	10,961,694	11,393,404
Mine operating income		14,503,700	8,121,153	7,904,549
Operating expenses				
General and administrative expenses	**20**	5,021,006	4,215,852	3,095,996
Share-based payments	**18**	1,615,025	40,820	923,382
Income before other items		7,867,669	3,864,481	3,885,171
Other items				
Foreign exchange gain (loss)		207,076	(833,822)	316,599
Interest and other income		69,073	59,098	41,658
Fair value adjustment on warrant liability	**16**	10,862	239,690	1,055,957
Accretion of reclamation provision	**17**	(284,636)	(136,925)	(131,787)
Finance cost		(188,940)	(14,238)	(129,953)
Interest expense		(166,636)	(180,079)	(124,138)
Unrealized gain (loss) on long-term investments	**11**	(2,839)	(55,177)	385
Gain on forgiveness of debt		—	—	58,967
Share of net loss of equity investee		—	—	(90,944)
Net income before income taxes		7,511,629	2,943,028	4,881,915
Income taxes				
Current income tax expense	**26**	(4,187,048)	(3,587,796)	(1,820,970)
Deferred income tax recovery (expense)	**26**	(1,332,102)	1,128,192	(546,776)
		(5,519,150)	(2,459,604)	(2,367,746)
Net income		1,992,479	483,424	2,514,169
Other comprehensive income (loss) Items that may be reclassified subsequently to income or loss				
Currency translation differences of foreign operations		(1,059,401)	3,980,525	1,456,329
Total comprehensive income		$ 933,078	$ 4,463,949	$ 3,970,498
Earnings per share	**18(e)**			
Basic		\$0.05	\$0.01	\$0.08
Diluted		\$0.05	\$0.01	\$0.08
Weighted average number of common shares outstanding	**18(e)**			
Basic		42,695,999	36,229,424	32,333,224
Diluted		43,791,451	36,723,725	33,273,740

The accompanying notes are an integral part of the consolidated financial statements

AVINO SILVER & GOLD MINES LTD.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016, 2015 and 2014 (Expressed in Canadian dollars)

	Note	Number of Common Shares	Share Capital Amount	Equity Reserves	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity
Balance, January 1, 2014		**27,488,834**	**$ 42,784,832**	**$ 10,150,849**	**$ (101,869)**	**$ 215,680**	**$ (28,502,464)**	**$ 24,547,028**
Common shares issued for cash:								
Brokered public offerings		4,982,677	11,461,810	—	—	—	—	11,461,810
Less share issuance costs		—	(816,537)	—	—	—	—	(816,537)
Exercise of stock options		266,457	307,937	—	—	—	—	307,937
Carrying value of stock options exercised		—	333,483	(333,483)	—	—	—	—
Shares issued for asset acquisition		2,636,845	4,535,373	—	—	—	—	4,535,373
Share-based payments		—	—	1,044,282	—	—	—	1,044,282
Options and warrants cancelled or expired		—	—	(63,939)	—	—	63,939	—
Net income for the year		—	—	—	—	—	2,514,169	2,514,169
Currency translation differences of foreign operations		—	—	—	—	1,456,329	—	1,456,329
Balance, December 31, 2014		**35,374,813**	**$ 58,606,898**	**$ 10,797,709**	**$ (101,869)**	**$ 1,672,009**	**$ (25,924,356)**	**$ 45,050,391**
Common shares issued for cash:								
Brokered public offerings		1,001,196	1,551,095	—	—	—	—	1,551,095
Less share issuance costs		—	(105,296)	—	—	—	—	(105,296)
Exercise of stock options		922,000	937,740	—	—	—	—	937,740
Carrying value of stock options exercised		—	1,272,517	(1,272,517)	—	—	—	—
Share-based payments		—	—	40,820	—	—	—	—
Options and warrants cancelled or expired		—	—	(34,500)	—	—	34,500	—
Net income for the year		—	—	—	—	—	483,424	483,424
Currency translation differences of foreign operations		—	—	—	—	3,980,525	—	3,980,525
Balance, December 31, 2015		**37,298,009**	**$ 62,262,954**	**$ 9,531,512**	**$ (101,869)**	**$ 5,652,534**	**$ (25,406,432)**	**$ 51,938,699**
Common shares issued for cash:								
Brokered public offerings	**18**	14,043,992	28,539,566	—	—	—	—	28,539,566
Less share issuance costs	**18**	—	(1,937,236)	—	—	—		(1,937,236)
Exercise of stock options	**18**	1,079,000	1,258,530	—	—	—		1,258,530
Carrying value of stock options exercised		—	1,374,548	(1,374,578)	—	—		—
Options and warrants cancelled or expired		—	—	(232,950)	—	—	232,950	—
Shares issued for exploration and evaluation properties	**8(b)**	10,000	29,100	—	—	—		29,100
Share-based payments (net of costs of $4,539)	**18**	—	—	1,755,570	—	—		1,755,570
Net income for the year		—	—	—	—	—	1,992,479	1,992,479
Currency translation differences of foreign operations		—	—	—	—	(1,059,401)		(1,059,401)
Balance, December 31, 2016		**52,431,001**	**$ 91,527,462**	**$ 9,679,584**	**$ (101,869)**	**$ 4,593,133**	**$ (23,181,003)**	**$ 82,517,307**

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Cash Flows

For the years ended December 31, 2016, 2015 and 2014 (Expressed in Canadian dollars)

	Note	2016	2015	2014
Cash Provided By (Used In):				
Operating Activities				
Net income		$ 1,992,479	$ 483,424	$ 2,514,169
Adjustments for non-cash items:				
Depreciation and depletion		2,530,632	1,341,577	1,277,752
Deferred income tax expense (recovery)		1,332,102	(1,128,192)	546,776
Share-based payments		1,615,025	40,820	982,782
Accretion of reclamation provision		284,636	136,925	131,787
Unrealized loss (gain) on long-term investments		2,839	55,177	(385)
Foreign exchange gain		(174,590)	(236,163)	(111,289)
Fair value adjustment on warrant liability		(10,862)	(239,690)	(1,055,957)
Share of net loss of equity investee		—	—	90,944
Gain on forgiveness of debt		—	—	(58,967)
		7,572,261	453,878	4,317,612
Net change in non-cash working capital items	**22**	(855,996)	(3,075,989)	(1,461,655)
		6,716,265	(2,622,111)	2,855,957
Financing Activities				
Shares and units issued for cash, net of issuance costs		30,060,051	2,383,539	12,248,857
Finance lease payments		(2,076,207)	(1,681,049)	(943,678)
Term facility payment		(861,134)	—	—
Equipment loan payments		(738,589)	(89,641)	—
Proceeds from term facility		—	13,840,000	—
		26,384,121	14,452,849	11,305,179
Investing Activities				
Recovery of exploration costs from concentrate proceeds		6,158,972	22,275,296	3,428,624
Exploration and evaluation expenditures		(11,723,196)	(26,052,048)	(11,853,024)
Additions to plant, equipment and mining properties		(5,131,530)	(5,108,935)	(5,472,774)
Purchase of short-term investments		(13,427,000)	—	—
Cash from acquisition of subsidiary		—	—	92,792
		(24,122,754)	(8,885,687)	(13,804,382)
Change in cash		8,977,632	2,945,051	356,754
Effect of exchange rate changes on cash		(636,138)	280,289	53,445
Cash, Beginning of the year		7,475,134	4,249,794	3,839,595
Cash, End of the year		$ 15,816,628	$ 7,475,134	$ 4,249,794

Supplementary Cash Flow Information (Note 22)
The accompanying notes are an integral part of the consolidated financial statements

Notes to the consolidated financial statements

For the years ended December 31, 2014, 2013 and 2012 (Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Avino Silver & Gold Mines Ltd. (the "Company" or "Avino") was incorporated in 1968 under the laws of the Province of British Columbia, Canada. The Company is engaged in the production and sale of silver, gold, and copper and the acquisition, exploration, and advancement of mineral properties.

The Company's head office and principal place of business is Suite 900, 570 Granville Street, Vancouver, BC, Canada. The Company is a reporting issuer in Canada and the United States and trades on the TSX Venture Exchange ("TSX-V"), the NYSE MKT, and the Frankfurt and Berlin Stock Exchanges.

The Company owns interests in mineral properties located in Durango, Mexico, as well as in British Columbia and the Yukon, Canada. On October 1, 2012, the Company commenced production of silver and gold at levels intended by management at its San Gonzalo Mine, and on April 1, 2016, the Company commenced production of copper, silver, and gold at levels intended by management at its Avino Mine; both mines are located on the historic Avino property in the state of Durango, Mexico.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of Presentation

These consolidated financial statements are expressed in Canadian dollars and have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting on a going concern basis. The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements as if the policies have always been in effect.

Foreign Currency Translation

Functional currencies

The functional and presentation currency of the Company and its Canadian subsidiary is the Canadian dollar. The functional currency of the Company's Mexican subsidiaries is the U.S. dollar which is determined to be the currency of the primary economic environment in which the subsidiaries operate.

Foreign currency transactions

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Foreign operations

Subsidiaries that have functional currencies other than the Canadian dollar translate their sales to Canadian dollars at spot rates on the date of the transactions and remaining statement of operations items at the average rate during the year. Assets and liabilities are translated at exchange rates prevailing at the end of each reporting period. Exchange rate variations resulting from the retranslation at the closing rate of the net investment in these subsidiaries, together with differences between their statement of operations items translated at actual and average rates, are recognized in accumulated other comprehensive income (loss). On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange difference is recognized in the statement of operations.

Significant Accounting Judgments and Estimates

The Company's management makes judgments in its process of applying the Company's accounting policies to the preparation of its consolidated financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of the impacts on the carrying amounts of the Company's assets and liabilities at the end of the reporting period from uncertain future events and on the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

a) Critical judgments exercised by management in applying accounting policies that have the most significant effect on the amounts presented in these consolidated financial statements are as follows:

   i. ***Economic recoverability and probability of future economic benefits from exploration and evaluation costs*** Management has determined that mine and camp, exploratory drilling, and other exploration and evaluation-related costs that were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and metallurgic information, scoping studies, accessible facilities, existing permits, and mine plans.

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgements and Estimates (continued)

ii. *Commencement of production at levels intended by management*

Prior to reaching production levels intended by management, costs incurred are capitalized as part of the costs of related exploration and evaluation assets, and proceeds from concentrate sales are offset against costs capitalized. Depletion of capitalized costs for mining properties and depreciation of plant and equipment begin when operating levels intended by management have been reached. Management considers several factors in determining when a mining property has reached the intended production levels, including production capacity, recoveries, and number of uninterrupted production days. The results of operations of the Company during the periods presented in these consolidated financial statements have been impacted by management's determination that the San Gonzalo Mine and Avino Mine had achieved production levels intended by management as of October 1, 2012 and April 1, 2016, respectively, and that none of the Company's exploration and evaluation assets had achieved production levels intended by management as at December 31, 2016.

The basis for achievement of production levels intended by management as indicated by technical feasibility and commercial viability is generally established with proven reserves based on a NI 43-101-compliant technical report or a comparable resource statement and feasibility study, combined with pre-production operating statistics and other factors. In cases where the Company does not have a 43-101-compliant reserve report on which to base a production decision, the technical feasibility and commercial viability of extracting a mineral resource are considered in light of additional factors including but not limited to:

- Acquisition and installation of all critical capital components to achieve desired mining and processing results has been completed. Capital components have been acquired directly and are also available on an as-needed basis from the underground mining contractor;
- The necessary labour force, including mining contractors, has been secured to mine and process at planned levels of output;
- The mill has consistently processed at levels above design capacity and budgeted production levels with consistent recoveries and grades; and,
- Establishing sales agreements with respect to the sale of concentrates.

When technical feasibility and commercial viability are considered demonstrable according to the above criteria and other factors, the Company performs an impairment assessment and records an impairment loss, if any, before reclassifying exploration and evaluation costs to plant, equipment, and mining properties.

iii. *Functional currency*

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of the Company and its Canadian subsidiary to be the Canadian dollar. The Company has determined the functional currency of its Mexican subsidiaries to be the U.S. dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

b) Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statement of financial position date that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made relate to, but are not limited to, the following:

i. *Stockpile and concentrate inventory valuations*

Concentrate and stockpile mineralized material are valued at the lower of average cost or net realizable value. The assumptions used in the valuation of concentrate and stockpile mineralized material include estimates of copper, silver, and gold contained in the stockpiles and finished goods assumptions for the amount of copper, silver, and gold that is expected to be recovered from the concentrate. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its concentrate and stockpile mineralized material inventory, which would result in an increase in the Company's expenses and a reduction in its working capital.

ii. *Estimated reclamation provisions*

The Company's provision for reclamation represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the Avino, San Gonzalo, and Bralorne properties. The provision reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above factors could result in a change to the provision recognized by the Company.

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgements and Estimates (continued)

Changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amounts of the related exploration and evaluation assets or mining properties. Adjustments to the carrying amounts of related mining properties result in a change to future depletion expense.

iii. ***Valuation of share-based payments***
The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect fair value estimates and the Company's net income or net loss and its equity reserves.

iv. ***Impairment of plant, equipment, mining properties, and exploration and evaluation assets***
Management considers both external and internal sources of information in assessing whether there are any indications that the Company's plant, equipment, mining properties, and exploration and evaluation assets are impaired. External sources of information management considers include changes in the market, economic and legal environments, in which the Company operates, that are not within its control and that affect the recoverable amount of its plant, equipment and mining properties. Internal sources of information that management considers include the manner in which mining properties and plant and equipment are being used, or are expected to be used, and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's plant, equipment, and mining properties, management makes estimates of the undiscounted future pre-tax cash flows expected to be derived from the Company's mining properties, and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non expansionary capital expenditures, reductions in the amount of recoverable resources and exploration potential, and adverse current economic conditions are examples of factors that could result in a write down of the carrying amounts of the Company's plant, equipment, mining properties, and exploration and evaluation assets.

v. ***Depreciation rate for plant and equipment and depletion rate for mining properties***
Depreciation and depletion expenses are allocated based on estimates for useful lives of assets. Should the asset life, depletion rates, or depreciation rates differ from the initial estimate, the revised life or rate would be reflected prospectively through profit and loss.

vi. ***Recognition and measurement of deferred tax assets and liabilities***
Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities. This occurs subsequent to the issuance of the consolidated financial statements and the final determination of actual amounts may not be completed for a number of years. Therefore, tax assets and liabilities and net income in subsequent periods will be affected by the amount that estimates differ from the final tax return. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that could materially affect the amounts of deferred tax assets and liabilities.

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its Canadian and Mexican subsidiaries as follows:

Subsidiary	Ownership Interest	Jurisdiction	Nature of Operations
Oniva Silver and Gold Mines S.A. de C.V.	100%	Mexico	Mexican operations and administration
Promotora Avino, S.A. de C.V. ("Promotora")	79.09%	Mexico	Holding company
Compañía Minera Mexicana de Avino, S.A. de C.V. ("Avino Mexico")	98.45% direct 1.22% indirect (Promotora) 99.67% effective	Mexico	Mining and exploration
Bralorne Gold Mines Ltd.	100%	Canada	Mining and exploration

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

On August 26, 2015, the Company converted existing loans advanced to Avino Mexico into new additional shares, resulting in an increase of the Company's ownership by 0.01% to an effective 99.67%. The intercompany loans and investments are eliminated upon consolidation of the financial statements. The Company had a pre-existing effective ownership interest of 99.66% in Avino Mexico prior to the 0.01% increase. The issuance of shares to the Company by Avino Mexico on August 26, 2015, resulted in a reduction in the non-controlling interest from 0.34% to 0.33%.

Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivables, or fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Loans and receivables and other financial liabilities are subsequently measured at amortized cost. Financial instruments comprise cash, amounts receivable, short- and long-term investments, reclamation bonds, accounts payable, amounts due to related parties, warrant liability, term facility, equipment loans, and finance lease obligations.

The Company has classified its cash, amounts receivable, investments (short- and long-term), and warrant liability as FVTPL. Reclamation bonds are classified as loans and receivables. Accounts payable, amounts due to related parties, term facility, equipment loans, and finance lease obligations are classified as other financial liabilities.

Subsequent to initial recognition, financial assets are measured in accordance with the following:

i. Financial assets classified as FVTPL are measured at fair value. All gains and losses resulting from changes in their fair value are included in net income in the period in which they arise.

ii. Held-to-maturity investments are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into net income, using the effective interest method, less any impairment.

iii. Loans and receivables are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into net income, using the effective interest method, less any impairment.

iv. Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until the asset is realized, at which time they will be recorded in net income. Other than temporary impairments on available-for-sale financial assets are recorded in net income.

Subsequent to initial recognition, financial liabilities are measured in accordance with the following:

i. Financial liabilities classified as other financial liabilities are initially recognized at fair value less transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

ii. Financial liabilities classified as fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Fair value changes on financial liabilities classified as fair value through profit or loss are recognized in net income. At December 31, 2016 and 2015, the Company classified share purchase warrants with an exercise price in U.S. dollars (see Note 16) as financial liabilities at fair value through profit or loss. As these warrants are exercised, the fair value of the recorded warrant liability on date of exercise is included in share capital along with the proceeds from the exercise. If these warrants expire, the related decrease in warrant liability is recognized in net income.

2. BASIS OF PRESENTATION (continued)

Cash

Cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

3. SIGNIFICANT ACCOUNTING POLICIES

Exploration and evaluation assets

The Company capitalizes all costs relating to the acquisition, exploration, and evaluation of mineral claims, and recognizes any proceeds received as a reduction of the cost of the related claims. The Company's capitalized exploration and evaluation are classified as intangible assets. Such costs include, but are not limited to, ramp advancement, camp costs, geophysical studies, exploratory drilling, and geological and sampling expenditures. Concentrate sales and costs thereof are included in exploration and evaluation costs prior to demonstrating the technical feasibility and commercial viability of extracting mineral resources. When the technical feasibility and commercial viability of extracting mineral resources have been demonstrated, these costs are assessed for impairment and are reclassified to mining properties and become subject to depletion. All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, the expenditures for the area of interest are written down and charged to operations. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment. An impairment charge relating to a mineral claim may be subsequently reversed if new exploration results or actual or potential proceeds on sale or farm out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

Borrowing costs incurred that are attributable to qualifying exploration and evaluation assets are capitalized and included in the carrying amounts of qualifying assets until those qualifying assets are ready for their intended use, which would generally occur upon the advancement of the project past the exploration and evaluation and development stages to production at levels intended by management. Borrowing costs are capitalized as incurred while activities and expenditures necessary to prepare the qualifying assets for intended use are in progress. All other borrowing costs are expensed in the period in which they are incurred. In the case of funds borrowed that are directly attributable to qualifying assets, the amount capitalized represents the actual borrowing costs incurred on the specific borrowings.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves or resources, the ability of the Company to obtain financing to establish a sustainable mining operation, and on future production or proceeds of disposition.

Plant, equipment, and mining properties

Upon demonstrating the technical feasibility and commercial viability of extracting mineral resources, all expenditures incurred to that date for the mine are reclassified to mining properties. Expenditures capitalized to mining properties include all costs related to obtaining or expanding access to resources including extensions of the haulage ramp and installation of underground infrastructure, and the estimated reclamation provision. Expenditures incurred with respect to a mining property are capitalized when it is probable that additional future economic benefits will flow to the Company. Otherwise, such expenditures are classified as a cost of production.

Plant and equipment are recorded at historical cost less accumulated depreciation and any accumulated impairment losses. Historical costs include expenditures that are directly attributable to bringing the asset to a location and condition necessary to operate in a manner intended by management. Such costs are accumulated as construction in progress until the asset is available for use, at which point the asset is classified as plant, equipment, and mining properties and depreciation commences.

After the date that management's intended production levels have been achieved, mining properties are depleted using the straight-line method over the estimated remaining life of the mine. The Company estimates the remaining life of its producing mineral properties on an annual basis using a combination of quantitative and qualitative factors including historical results, mineral resource estimates, and management's intent to operate the property.

The Company does not have sufficient reserve information to form a basis for the application of the units-of-production method for depreciation and depletion.

As at December 31, 2016, 2015 and 2014, the Company estimated a remaining mine life for San Gonzalo of 1.8 years, 2.8 years, and 4.8 years respectively.

As at December 31, 2016, the Company estimated a remaining mine life for the Avino Mine of 11.3 years.

Accumulated mill, machinery, plant facilities, and certain equipment are depreciated using the straight-line method over their estimated useful lives, not to exceed the life of the mine for any assets that are inseparable from the mine. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (or components) of plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant, equipment, and mining properties (continued)

Plant and equipment are depreciated at the following annual rates:

Office equipment, furniture, and fixtures	20% declining balance
Computer equipment	30% declining balance
Mine machinery and transportation equipment	20% declining balance
Mill machinery and processing equipment	20 years straight line
Buildings	20 years straight line

Impairment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, provided the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Leases

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are recorded as a finance expense within profit and loss, unless they are attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed, in which case that systematic basis is used. Operating lease payments are recorded within profit and loss unless they are attributable to qualifying assets, in which case they are capitalized.

Inventory

Material extracted from the Company's mine is classified as either process material or waste. Process material represents mineralized material that, at the time of extraction, the Company expects to process into a saleable form and sell at a profit, while waste is considered uneconomic to process and its extraction cost is included in direct mining costs. Raw materials are comprised of process material stockpiles. Process material is accumulated in stockpiles that are subsequently processed into bulk copper, silver and gold concentrate in a saleable form. The Company has bulk copper, silver and gold concentrate inventory in saleable form that has not yet been sold. Mine operating supplies represent commodity consumables and other raw materials used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs incurred, based on normal production capacity, in bringing each product to its present location and condition. Cost of inventories comprises direct labor, materials and contractor expenses, depletion and depreciation on mining properties, plant and equipment, and an allocation of mine site costs. As mineralized material is removed for processing, costs are removed based on the average cost per tonne in the stockpile. Stockpiled process material tonnages are verified by periodic surveys.

Net realizable value ("NRV") of mineralized material is determined with reference to relevant market prices less applicable variable selling expenses and costs to bring the inventory into its saleable form. NRV of materials and supplies is generally calculated by reference to salvage or scrap values when it is determined that the supplies are obsolete. NRV provisions are recorded within cost of sales in the consolidated statement of operations, and are reversed to reflect subsequent recoveries where the inventory is still on hand.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs to sell can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales tax or duty.

Revenue from the sale of concentrate is recognized upon delivery when the risks and rewards of ownership are transferred to the customer and neither continuing managerial involvement nor effective control remains over the goods sold. Revenue is based on quoted market prices of the London Bullion Market Association and the London Metal Exchange during the quotation period less treatment, refining and smelting charges, and penalties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Metals contained in bulk concentrate sold to third parties are provisionally invoiced and the price is not settled until a predetermined contractual future date, typically one to three months after delivery to the customer, based on the market price of metals at that time. The Company enters into contracts that provide a provisional payment based upon provisional assays and quoted metal prices at the time of delivery. Revenues are recorded when title passes from the Company to the buyer based on spot prices at the time of delivery, and subsequently adjusted to market prices based on final settlement terms.

Prior to the date that management's intended production levels have been achieved, concentrate sales of material drawn from exploration and evaluation properties are recorded as a reduction of capitalized exploration and evaluation costs.

Share capital

a) Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares and equity warrants are recognized as a deduction from equity, net of any tax effects. Transaction costs directly attributable to derivative warrants are charged to operations as a finance cost.

b) Repurchase of share capital (treasury shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to accumulated deficit.

Share-based payment transactions

The Company's share option plan and restricted share unit ("RSU") plan allows directors, officers, employees, and consultants to acquire common shares of the Company.

The fair value of options granted is measured at fair value at the grant date based on the market value of the Company's common shares on that date.

The fair value of equity-settled RSUs is measured at the grant date based on the market value of the Company's common shares on that date, and each tranche is recognized using the graded vesting method over the period during which the RSUs vest. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of RSUs that are expected to vest.

All options and RSUs are recognized in the consolidated statements of operations and comprehensive income (loss) as an expense or in the consolidated statements of financial position as exploration and evaluation assets over the vesting period with a corresponding increase in equity reserves in the consolidated statements of financial position.

Reclamation and other provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to the passage of time is recognized as accretion expense.

The Company records the present value of estimated costs of legal and constructive obligations required to restore properties in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and restoration, reclamation and re-vegetation of affected areas.

The fair value of the liability for a rehabilitation provision is recorded when it is incurred. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining property or exploration and evaluation asset. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability, which is accreted over time through periodic charges to income or loss. A revision in estimates or new disturbance will result in an adjustment to the provision with an offsetting adjustment to the mineral property or the exploration and evaluation asset. Additional disturbances, changes in costs, or changes in assumptions are recognized as adjustments to the corresponding assets and reclamation liabilities when they occur.

Earnings per share

The Company presents basic and diluted earnings per share data for its common shares, calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares.

Income taxes

Income taxes in the years presented are comprised of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Deferred tax is recognized using the statement of financial position asset and liability method, which provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction other than a business combination that affects neither accounting profit nor taxable profit.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Application of new and revised accounting standards:

Annual Improvements to IFRSs 2012-2014 Cycle

In September 2014, the IASB issued the Annual Improvements 2012-2014 cycle, effective for annual periods beginning on or after January 1, 2016. The amendments did not have an impact on the Company's consolidated financial statements.

Changes in accounting standards not yet effective:

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective. The following accounting standards were issued but not yet effective as of December 31, 2016:

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step model framework for the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("IFRS 9") to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected-loss' impairment model, as well as a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The classification of financial assets and liabilities is expected to remain consistent under IFRS 9, with the possible exception of equity securities. Under IFRS 9, the Company will have the option to designate equity securities as financial assets at fair value through other comprehensive income. If the Company does not make this election, changes in the fair value of equity securities will continue to be recognized in profit or loss in accordance with the Company's current policy.

The introduction of the new 'expected credit loss' impairment model is not expected to have an impact on the Company, given the Company sells its concentrate to large international organizations with a negligible historical level of customer default, and the corresponding receivables from these sales are short term in nature.

The Company expects the above potential changes to be the only impacts, as the Company currently has no hedging arrangements. The above assessments were made based on an analysis of the Company's financial assets and financial liabilities at December 31, 2016, on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application, the assessment of the potential impact is subject to change.

IFRS 7 Financial Instruments – Disclosure

IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. The standard is effective on adoption of IFRS 9, which is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact this standard is expected to have on its consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17 – Leases and its associated interpretative guidance, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

5. SHORT-TERM INVESTMENTS

The Company's short-term investments consist of term deposits maturing within one year, with an interest rate of 0.8%. All term deposits are redeemable at any time without penalty.

At December 31, 2016, the Company's short-term investments totalled $13,427,000 (2015 - $Nil).

6. TAXES RECOVERABLE

The Company's taxes recoverable consist of the Mexican I.V.A. ("VAT") and income taxes recoverable and Canadian sales taxes ("GST/HST") recoverable.

		2016		2015
VAT recoverable	$	4,532,885	$	1,641,023
GST/HST recoverable		206,060		171,327
Income taxes recoverable		—		1,240,685
Total taxes recoverable	$	4,738,945	$	3,053,035

7. INVENTORY

		2016		2015
Concentrate inventory	$	2,545,501	$	221,437
Process material stockpiles		3,497,358		3,369,961
Materials and supplies		1,750,188		1,020,836
	$	7,793,047	$	4,612,234

The amount of inventory recognized as an expense for the year ended December 31, 2016 totalled $25,391,891 (2015 – $10,961,694; 2014 - $11,393,404), and includes production costs and depreciation and depletion directly attributable to the inventory production process.

For the years ended December 31, 2016, 2015 and 2014 (Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

The Company has accumulated the following acquisition, exploration and evaluation costs which are not subject to depletion:

	Durango, Mexico	British Columbia, Canada	Yukon, Canada	Total
Balance, January 1, 2015	$ 19,281,859	$ 10,627,360	$ 1	$ 29,909,220
Costs incurred during 2015:				
Mine and camp costs	20,171,792	5,233,511	—	25,405,303
Provision for reclamation	—	3,860,437	—	3,860,437
Effect of movements in exchange rates	1,560,711	—	—	1,560,711
Depreciation of plant and equipment	1,002,747	153,575	—	1,156,322
Drilling and exploration	81,545	700,920	—	782,465
Interest and financing costs	240,338	259,659	—	499,997
Geological and related services	119,262	133,331	—	252,593
Assessments and taxes	137,586	41,909	—	179,495
Assays	—	45,727	—	45,727
Sale of concentrate	(21,501,272)	(774,024)	—	(22,275,296)
Balance, December 31, 2015	$ 21,094,568	$ 20,282,405	$ 1	$ 41,376,974
Costs incurred during 2016:				
Mine and camp costs	4,537,934	3,802,511	—	8,340,445
Provision for reclamation	—	3,567,272	—	3,567,272
Water treatment and tailing storage facility costs	—	1,677,118	—	1,677,118
Depreciation of plant and equipment	273,039	628,308	—	901,347
Interest and financing costs	136,126	487,693	—	623,819
Drilling and exploration	409,611	79,875	—	489,486
Geological and related services	15,737	319,376	—	335,113
Acquisition costs	—	210,596	—	210,596
Assessments and taxes	108,387	28,114	—	136,501
Assays	—	1,349	—	1,349
Transfers	(9,414,999)	—	—	(9,414,999)
Sale of concentrate	(6,158,972)	—	—	(6,158,972)
Mineral exploration tax credit	—	(453,754)	—	(453,754)
Effect of movements in exchange rates	(288,230)	—	—	(288,230)
Balance, December 31, 2016	$ 10,713,201	$ 30,630,863	$ 1	$ 41,344,065

8. EXPLORATION AND EVALUATION ASSETS (continued)

Additional information on the Company's exploration and evaluation properties by region is as follows:

a) Durango, Mexico

The Company's subsidiary Avino Mexico owns 42 mineral claims and leases four mineral claims in the state of Durango, Mexico. The Company's mineral claims in Mexico are divided into the following four groups:

i. Avino mine area property

The Avino mine area property is situated around the towns of Panuco de Coronado and San Jose de Avino and surrounding the historic Avino mine site. There are four exploration concessions covering 154.4 hectares, 24 exploitation concessions covering 1,284.7 hectares, and one leased exploitation concession covering 98.83 hectares. Within the Avino mine site area is the Company's San Gonzalo Mine, which achieved production at levels intended by management as of October 1, 2012, and on this date accumulated exploration and evaluation costs were transferred to mining properties.

ii. Gomez Palacio property

The Gomez Palacio property is located near the town of Gomez Palacio, and consists of nine exploration concessions covering 2,549 hectares.

iii. Santiago Papasquiaro property

The Santiago Papasquiaro property is located near the village of Santiago Papasquiaro, and consists of four exploration concessions covering 2,552.6 hectares and one exploitation concession covering 602.9 hectares.

iv. Unification La Platosa properties

The Unification La Platosa properties, consisting of three leased concessions in addition to the leased concession described in note (i) above, are situated within the Avino mine area property near the towns of Panuco de Coronado and San Jose de Avino and surrounding the Avino Mine.

In February 2012, the Company's wholly-owned Mexican subsidiary entered into a new agreement with Minerales de Avino, S.A. de C.V. ("Minerales") whereby Minerales has indirectly granted to the Company the exclusive right to explore and mine the La Platosa property known as the "ET zone". The ET zone includes the Avino Mine, where production at levels intended by management was achieved on April 1, 2016.

Under the agreement, the Company has obtained the exclusive right to explore and mine the property for an initial period of 15 years, with the option to extend the agreement for another 5 years. In consideration of the granting of these rights, the Company issued 135,189 common shares with a fair value of $250,100 during the year ended December 31, 2012.

The Company has agreed to pay to Minerales a royalty equal to 3.5% of net smelter returns ("NSR"). In addition, after the start of production, if the minimum monthly processing rate of the mine facilities is less than 15,000 tonnes, then the Company must pay to Minerales a minimum royalty equal to the applicable NSR royalty based on the processing at a monthly rate of 15,000 tonnes.

Minerales has also granted to the Company the exclusive right to purchase a 100% interest in the property at any time during the term of the agreement (or any renewal thereof), upon payment of US$8 million within 15 days of the Company's notice of election to acquire the property. The purchase would be subject to a separate purchase agreement for the legal transfer of the property.

The Company commenced production at levels intended by management at the Avino Mine on April 1, 2016. In connection with the transition to production at levels intended by management, the Company assessed the $9,414,999 estimated carrying value of Avino Mine exploration and evaluation assets for impairment and determined that the recoverable amount exceeded the carrying value of the CGU. The Company subsequently transferred the carrying value to inventory in the amount of $3,408,766 and to mining properties in the amount of $6,006,233.

In the periods before production at levels intended by management had been achieved, the Company recorded in its statement of financial position the costs of extracting and processing mineralized material from the Avino Mine as exploration and evaluation costs, and recorded a reduction to the carrying value of those costs for any proceeds from sales of Avino Mine concentrate. During the year ended December 31, 2016, the Company reduced its exploration and evaluation costs in the consolidated statement of financial position by $6,158,972 (US$4,587,005) for sales of 2,603 tonnes of Avino Mine copper/silver/gold concentrate, prior to commencing production at levels intended by management on April 1, 2016.

b) British Columbia, Canada

i. Bralorne Mine

The Company owns a 100% undivided interest in certain mineral properties located in the Lillooet Mining Division. There is an underlying agreement on 12 crown grants in which the Company is required to pay 1.6385% of net smelter proceeds of production from the claims, and pay fifty cents ($0.50) per ton of ore produced from these claims if the ore grade exceeds 0.75 ounces per ton gold.

During the year ended December 31, 2016, the Company acquired land and mineral claims for the Bralorne Mine project in connection with ongoing plans for exploration and potential expansion. The acquisitions included nine mineral claims covering approximately 2,114 hectares in the Lillooet Mining Division of British Columbia (the "BRX Property"), for which the Company paid $65,000 and issued 10,000 common shares at their TSX-V market value of $29,100. The BRX Property carries a 1% net smelter returns royalty to a maximum of $250,000, and a 2.5% net smelter returns royalty.

ii. Minto and Olympic-Kelvin properties

The Company's mineral claims in British Columbia encompass two additional properties, Minto and Olympic-Kelvin, each of which consists of 100% owned Crown-granted mineral claims located in the Lillooet Mining Division.

For the years ended December 31, 2016, 2015 and 2014 (Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

c) *Yukon, Canada*

The Company has a 100% interest in 14 quartz leases located in the Mayo Mining Division of Yukon, Canada which collectively comprise the Eagle property.

9. NON-CONTROLLING INTEREST

At December 31, 2016, the Company had an effective 99.67% (2015 - 99.67%) interest in its subsidiary Avino Mexico and the remaining 0.33% (2015 - 0.33%) interest represents a non-controlling interest. The accumulated deficit and current year income attributable to the non-controlling interest are insignificant and accordingly have not been recognized in the consolidated financial statements.

10. PLANT, EQUIPMENT, AND MINING PROPERTIES

	Mining properties	Office equipment, furniture, and fixtures	Computer equipment	Mine machinery and transportation equipment	Mill machinery and processing equipment	Buildings	Total
COST	$	$	$	$	$	$	$
Balance at January 1, 2015	4,518,129	65,519	223,051	8,474,154	7,074,760	1,584,932	21,940,545
Additions and transfers	799,208	14,972	47,701	4,088,146	1,817,862	154,394	6,922,283
Effect of movements in exchange rates	810,601	11,755	40,018	1,520,355	1,269,289	284,354	3,936,372
Balance at December 31, 2015	6,127,938	92,246	310,770	14,082,655	10,161,911	2,023,680	32,799,200
Additions and transfers	7,718,764	21,312	36,907	6,337,915	366,437	1,581,614	16,062,949
Effect of movements in exchange rates	(164,494)	(2,477)	(8,343)	(378,026)	(272,780)	(54,322)	(880,442)
Balance at December 31, 2016	13,682,208	111,081	339,334	20,042,544	10,255,568	3,550,972	47,981,707
ACCUMULATED DEPLETION AND DEPRECIATION							
Balance at January 1, 2015	773,099	22,362	68,704	1,999,069	444,089	459,709	3,767,032
Additions	708,020	11,299	41,839	1,464,662	331,726	65,741	2,623,287
Effect of movements in exchange rates	138,703	4,012	12,326	358,656	79,674	82,477	675,848
Balance at December 31, 2015	1,619,822	37,673	122,869	3,822,387	855,489	607,927	7,066,167
Additions	1,490,281	12,204	35,614	1,927,866	304,033	90,407	3,860,405
Effect of movements in exchange rates	(43,482)	(1,012)	(3,298)	(102,606)	(22,964)	(16,319)	(189,681)
Balance at December 31, 2016	3,066,621	48,865	155,185	5,647,647	1,136,558	682,015	10,736,891
NET BOOK VALUE							
At December 31, 2016	**10,615,587**	**62,216**	**184,149**	**14,394,897**	**9,119,010**	**2,868,957**	**37,244,816**
At December 31, 2015	4,508,116	54,573	187,901	10,260,268	9,306,422	1,415,753	25,733,033

Mining properties includes $6,006,233 reclassified from exploration and evaluation assets in connection with commencement of production at levels intended by management on April 1, 2016. Plant, equipment, and mining properties includes assets under construction of $1,344,327 as at December 31, 2016 (December 31, 2015 - $526,033), on which no depreciation was charged in the years then ended.

11. LONG-TERM INVESTMENTS

The Company classifies its long-term investments as designated at fair value through profit and loss.

Long-term investments are summarized as follows:

	Cost	Accumulated Unrealized Gains (Losses)	Fair Value December 31, 2016	Fair Value December 31, 2015
(a) Avaron Mining Corp.	$ 40,000	$ (40,000)	$ —	$ —
(b) Benz Mining Corp.	14,500	(13,750)	750	2,000
(c) Levon Resources Ltd.	803	19,671	20,474	12,708
(c) VBI Vaccines Inc.	3,433	11,216	14,649	24,004
(d) Oniva International Services Corp.	1	(1)	—	—
	$ 58,737	$ (22,864)	$ 35,873	$ 38,712

During the year ended December 31, 2016, the Company recorded a $2,839 unrealized loss (2015 - $55,177 loss, 2014 - $385 gain) on long-term investments, representing the change in fair value during the period.

a) *Avaron Mining Corp. ("Avaron")*

In January 2012, the Company acquired 150,000 common shares of Avaron at a cost of $15,000. In April 2013, Avino received an additional 250,000 common shares at a cost of $25,000. During the year ended December 31, 2015, the carrying value of the Avaron shares was written down to $Nil.

b) *Benz Mining Corp. ("Benz")*

In April 2013, the Company acquired 50,000 common shares of Benz, and the value assigned at the time to the investment was based on the market price of Benz's common shares on the date the agreement was entered into.

c) *Levon Resources Ltd. ("Levon") and VBI Vaccines Inc. ("VBI"))*

The Company's investment in Levon consists of 70,600 common shares with a quoted market value of $20,474 as at December 31, 2016 (December 31, 2015 – 70,600 common shares with a quoted market value of $12,708).

The Company's investment in VBI was initially obtained in a transaction between Levon and SciVac Therapeutics Inc. ("SciVac") during the year ended December 31, 2015, which resulted in the Company receiving 70,600 common shares of new Levon and exchanging 141,200 common shares of old Levon for 141,200 common shares of SciVac. As at December 31, 2016, the Company's investment in VBI (formerly SciVac) consists of 3,530 common shares with a quoted market value of $14,649 (December 31, 2015 – 141,200 common shares with a quoted market value of $24,004).

During the year ended December 31, 2016, SciVac completed a reverse-takeover of VBI with VBI continuing as the surviving corporation. SciVac changed its name to VBI Vaccines Inc. and its trading symbol on the TSX to "VBV", and listed its shares on the Nasdaq Capital Market. In connection with the VBI transaction, a 1:40 share consolidation of SciVac was effected on April 29, 2016, and SciVac's shares began trading on a split-adjusted basis on May 2, 2016. Prior to the VBI transaction, the Company held 141,200 common shares of SciVac, and upon completion held 3,530 common shares of VBI.

d) *Oniva International Services Corp. ("Oniva")*

Prior to December 2015, the Company held a 1/5 indirect beneficial ownership interest in Oniva International Services Corp. ("Oniva"), with four other companies holding equal 1/5 indirect beneficial ownership interests. David Wolfin and Malcolm Davidson, the Company's CEO and CFO, serve as directors of Oniva, and certain of the Company's directors and officers also serve in those capacities in the four other companies. The companies' interests in Oniva were held in trust by David Wolfin until November 2015, when the beneficial ownership interests were dissolved, and legal and beneficial ownership was then solely held by Mr. Wolfin. See Note 12 (c) for a description of transactions with Oniva and Note 21 for disclosure of the Company's commitments with Oniva.

For the years ended December 31, 2016, 2015 and 2014 (Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES

All related party transactions are recorded at the exchange amount which is the amount agreed to by the Company and the related party.

a) *Key management personnel*

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the years ended December 31, 2016, 2015, and 2014 were as follows:

	2016	2015	2014
Salaries, benefits, and consulting fees	$ 1,691,862	1,700,364	$ 957,900
Share-based payments	1,180,315	—	645,750
	$ 2,872,177	1,700,364	$ 1,603,650

b) *Amounts due to/from related parties*

In the normal course of operations the Company transacts with companies related to Avino's directors or officers. All amounts payable and receivable are non-interest bearing, unsecured and due on demand. Advances to Oniva International Services Corp. of $148,912 (December 31, 2015 - $187,532) for expenditures to be incurred on behalf of the Company are included in prepaid expenses and other assets on the consolidated statements of financial position as at December 31, 2016. As at December 31, 2016 and 2015, the following amounts were due to related parties:

	2016	2015
Oniva International Services Corp.	$ 170,280	$ 164,285
Directors	60,313	47,741
Jasman Yee & Associates, Inc.	5,633	5,796
Intermark Capital Corp.	26,250	—
Wear Wolfin Designs Ltd.	5,250	—
	$ 267,726	$ 217,822

c) *Other related party transactions*

The Company has a cost sharing agreement with Oniva International Services Corp. ("Oniva") for office and administration services. Pursuant to the cost sharing agreement, the Company will reimburse Oniva for the Company's percentage of overhead and corporate expenses and for out-of-pocket expenses incurred on behalf of the Company. The cost sharing agreement may be terminated with one-month notice by either party without penalty.

The transactions with Oniva during the years ended December 31, 2016, 2015 and 2014 are summarized below:

	2016	2015	2014
Salaries and benefits	$ 393,317	$ 309,593	$ 316,281
Office and miscellaneous	671,259	502,089	428,019
Exploration and evaluation assets	329,052	311,002	—
	$ 1,393,628	$ 1,122,684	$ 744,300

Salaries and benefits above includes $Nil (2015 - $9,593, 2014 - $48,424) for key management personnel compensation that has been included in Note 12(a).

For services provided to the Company as President and Chief Executive Officer, the Company pays Intermark Capital Corporation ("ICC"), a company controlled by David Wolfin, for consulting services. For the years ended December 31, 2016, 2015 and 2014, the Company paid $667,200, $793,200, and $433,333 respectively to ICC.

The Company pays Jasman Yee & Associates, Inc. ("JYAI") for operational, managerial, metallurgical, engineering and consulting services related to the Company's activities. JYAI's managing director is a director of the Company. For the years ended December 31, 2016, 2015 and 2014, the Company paid $185,720, $176,640, and $74,160 respectively to JYAI.

The Company pays Wear Wolfin Designs Ltd. ("WWD"), a company whose director is the brother-in-law of David Wolfin, for financial consulting services related to ongoing consultation with stakeholders and license holders. For the years ended December 31, 2016, 2015 and 2014, the Company paid $30,000, $30,000, and $30,000 respectively to WWD.

13. TERM FACILITY

In July 2015, the Company entered into a US$10,000,000 term facility with Samsung C&T U.K. Limited ("Samsung"). Interest is charged on the facility at a rate of U.S. dollar LIBOR (3 month) plus 4.75%, and the facility was to be repaid in 15 consecutive equal monthly instalments starting in June 2016.

Pursuant to the agreement, in August 2015, Avino commenced selling concentrates produced during ramp advancement and ongoing evaluation and extraction at the Avino Mine on an exclusive basis to Samsung, which will continue for a period of 24 months. Samsung pays for the concentrates at the prevailing metal prices for their silver, copper, and gold content at or about the time of delivery, less treatment, refining, shipping and insurance charges.

During the year ended December 31, 2016, the Company and Samsung agreed to amend the term facility. Under the amendment, the Company made one repayment of US$666,666 in June 2016, and will repay the remaining balance in 14 equal monthly instalments commencing in June 2017, and ending in July 2018. Pursuant to the amendment, the Company will sell Avino Mine concentrates on an exclusive basis to Samsung until December 2019. The facility is secured by the concentrates produced under the agreement and by the common shares of the Company's wholly-owned subsidiary Bralorne Gold Mines Ltd.

The facility with Samsung relates to the sale of concentrates produced from the Avino Mine only and does not include concentrates produced from the San Gonzalo Mine that are sold to Samsung.

14. EQUIPMENT LOANS

The Company has entered into loans for mining equipment maturing between 2018 and 2020 with fixed interest rates of 4.35% and 5.26% per annum. The Company's obligations under the loans are secured by the mining equipment. As at December 31, 2016, plant, equipment and mining properties includes a net carrying amount of $3,366,886 (December 31, 2015 - $977,582) for this mining equipment.

The contractual maturities and interest charges in respect of the Company's obligations under the equipment loans are as follows:

	December 31, 2016	December 31, 2015
Not later than one year	$ 1,423,384	$ 261,386
Later than one year and not later than five years	1,661,860	784,595
Less: Future interest charges	(174,693)	(91,871)
Present value of loan payments	2,910,551	954,110
Less: Current portion	(1,311,753)	(222,192)
Non-current portion	$ 1,598,798	$ 731,918

The equipment loan credit facilities are a component of the master credit facilities described in Note 15.

15. FINANCE LEASE OBLIGATIONS

The Company has entered into mining equipment leases expiring between 2017 and 2020, with interest rates ranging from 2% to 11.99% per annum. The Company has the option to purchase the mining equipment at the end of the lease term for a nominal amount. The Company's obligations under finance leases are secured by the lessor's title to the leased assets. As at December 31, 2016, plant, equipment and mining properties includes a net carrying amount of $6,446,367 (2015 - $8,162,189) for this leased mining equipment.

The contractual maturities and interest charges in respect of the Company's finance lease obligations are as follows:

	December 31, 2016	December 31, 2015
Not later than one year	$ 2,050,344	$ 1,960,844
Later than one year and not later than five years	1,990,263	2,464,106
Less: Future interest charges	(265,373)	(303,669)
Present value of minimum ease payments	3,775,234	4,121,281
Less: Current portion	(1,926,427)	(1,815,747)
Non-current portion	$ 1,848,807	$ 2,305,534

The Company has two master credit facilities with equipment suppliers for a total of US$10,375,400. The facilities are used to acquire equipment necessary for advancing operations at the San Gonzalo Mine and the Avino Mine, and for continuing exploration activity at the Bralorne Mine. As of December 31, 2016, the Company had US$6,174,938 in available credit remaining under these facilities.

16. WARRANT LIABILITY

The Company's warrant liability arises as a result of the issuance of warrants exercisable in U.S. dollars. As the denomination is different from the Canadian dollar functional currency of the entity issuing the underlying shares, the Company recognizes a derivative liability for these warrants and re-measures the liability at the end of each reporting period using the Black-Scholes model.

A reconciliation of the changes in the warrant liability during the year is as follows:

	December 31, 2016	December 31, 2015
Balance at beginning of the year	$ —	$ 239,690
Warrants issued during the year	2,199,190	—
Fair value adjustment	(10,862)	(239,690)
Balance at end of the year	$ 2,188,328	$ —

Continuity of derivative warrants during the year is as follows:

	Underlying Shares	Weighted Average Exercise Price
Derivative warrants outstanding and exercisable, December 31, 2015	1,033,059	US$ 2.87
Issued	3,602,215	US$ 1.99
Derivative warrants outstanding and exercisable, December 31, 2016	4,635,274	US$ 2.19

Derivative warrants outstanding and exercisable as at December 31, 2016 are as follows:

		Derivative Warrants Outstanding and Exercisable	
Expiry Date	Exercise Price per Share	December 31, 2016	December 31, 2015
February 25, 2017	US$ 2.87	1,033,059	1,033,059
March 14, 2019	US$ 1.00	40,000	—
November 28, 2019	US$ 2.00	3,562,215	—

As at December 31, 2016, the weighted average remaining contractual life of warrants outstanding was 2.29 years.

For the years ended December 31, 2016, 2015 and 2014 (Expressed in Canadian dollars)

16. WARRANT LIABILITY (continued)

Valuation of the warrant liability requires the use of highly subjective estimates and assumptions including the expected stock price volatility. The expected volatility used in valuing warrants is based on volatility observed in historical periods. Changes in the underlying assumptions can materially affect the fair value estimates. The fair value of the warrant liability was calculated using the Black-Scholes model with the following weighted average assumptions and resulting fair values: the fair value estimates. The fair value of the warrant liability was calculated using the Black-Scholes model with the following weighted average assumptions and resulting fair values:

	December 31, 2016	December 31, 2015
Weighted average assumptions:		
Risk-free interest rate	0.67%	0.48%
Expected dividend yield	0%	0%
Expected option life (years)	2.29	1.14
Expected stock price volatility	72.66%	46.02%
Weighted average fair value	$0.47	$0.00

17. RECLAMATION PROVISION

Management's estimate of the reclamation provision at December 31, 2016 is $9,349,100 (December 31, 2015 - $6,047,369), and the undiscounted value of the obligation is $10,250,357 (December 31, 2015 - $6,790,812).

The present value of the obligation in Mexico was calculated using a risk-free interest rate of 7% (December 31, 2015 – 7.00%) and an inflation rate of 4.25% (December 31, 2015 – 4.25%). Reclamation activities are estimated to begin in 2019 for the San Gonzalo Mine and in 2028 for the Avino Mine.

The present value of the obligation for Bralorne was calculated using a weighted average risk-free interest rate of 4.39% (December 31, 2015 – 3.00%) and a weighted average inflation rate of 1.79% (December 31, 2015 – 2.45%). Reclamation activities are estimated to begin in 2021.

A reconciliation of the changes in the reclamation provision during the years is as follows:

	December 31, 2016	December 31, 2015
Balance at beginning of the year	$ 6,047,369	$ 2,005,881
Changes in estimates	3,380,822	—
Unwinding of discount	284,636	136,925
Effect of movements in exchange rates	(363,727)	44,126
New provision recognized for the Bralorne Mine project	—	3,860,437
Balance at end of the year	$ 9,349,100	$ 6,047,369

18. SHARE CAPITAL

a) *Authorized: Unlimited common shares without par value.*

b) *Issued:*

i. During the year ended December 31, 2016, the Company closed a bought-deal financing, issuing 7,124,430 units of the Company at the price of $2.11 (US$1.57) per unit for gross proceeds of $15,011,865 (US$11,185,355). Each unit consisted of one common share and one-half of a share purchase warrant, with each whole warrant exercisable to purchase one additional common share at an exercise price of US$2.00 until expiry on November 28, 2019. The financing was made by way of a prospectus supplement dated November 21, 2016, to the short form base shelf prospectus dated November 10, 2016, for up to US$50,000,000.

Of the $15,011,865 total aggregate proceeds raised in this financing, the $2,199,190 fair value of the warrants was attributed to warrant liability (Note 16), and the residual amount of $12,812,675 was attributed to common shares. The Company paid a 7% cash commission on the gross proceeds in the amount of $1,050,831 (US$782,875), and incurred additional legal costs of $447,133. Costs of $188,940 were allocated to the fair value of the warrants and have been reflected in the consolidated statement of operations as a finance cost, and costs of $1,309,024 have been reflected as share issuance costs in the consolidated statement of changes in equity.

During the year ended December 31, 2016, the Company continued to issue shares in an at-the-market offering under prospectus supplements, the latest of which was filed on June 14, 2016, for up to US$15,000,000. The Company sold an aggregate of 6,119,562 common shares at an average price of $2.40 (US$1.85) per common share for gross proceeds of $14,666,891 (US$11,302,481) during the year ended December 31, 2016. The Company paid a 3% cash commission on the gross proceeds in the amount of $440,000 (US$339,074) and incurred additional accounting, legal and regulatory costs of $84,188.

During the year ended December 31, 2016, the Company also issued shares in a brokered public offering issued under a separate US$800,000 prospectus supplement filed on March 10, 2016. In connection with this offering, the Company sold an aggregate of 800,000 common shares at a price of $1.33 (US$1.00) per common share for gross proceeds of $1,060,000 (US$800,000). The Company paid a 7% cash commission on the gross proceeds in the amount of $74,200 (US$56,000), incurred additional accounting, legal and regulatory costs of $29,824, and issued 40,000 agent's warrants exercisable at US$1.00 until March 14, 2019.

ii. During the year ended December 31, 2016, the Company issued 1,079,000 common shares upon the exercise of stock options for gross proceeds of $1,258,530.

18. SHARE CAPITAL (continued)

iii. During the year ended December 31, 2015, the Company continued to issue shares in an at-the-market offering under prospectus supplements, the latest of which (as at December 31, 2015) was filed on May 27, 2015, for up to US$6,000,000. The Company sold an aggregate of 1,001,196 common shares at an average price of $1.55 (US$1.26) per common share for gross proceeds of $1,551,095 (US$1,260,963) during the year ended December 31, 2015. The Company paid a 3% cash commission on the gross proceeds in the amount of $46,533 (US$37,828) and incurred additional accounting, legal and regulatory costs of $58,763.

iv. During the year ended December 31, 2015, the Company issued 922,000 common shares upon the exercise of stock options for gross proceeds of $937,740.

c) *Stock options:*

The Company has a stock option plan to purchase the Company's common shares, under which it may grant stock options of up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to directors, officers, and employees (up to a limit of 5% per individual), and to persons providing investor relations or consulting services (up to a limit of 2% per individual), the limits being based on the Company's total number of issued and outstanding shares per year. The stock options vest on the date of grant, except for those issued to persons providing investor relations services, which vest over a period of one year. The option price must be greater than or equal to the discounted market price on the grant date, and the option term cannot exceed five years from the grant date.

Continuity of stock options for the years ended December 31, 2016 and 2015 is as follows:

	Underlying Shares	Weighted Average Exercise Price
Stock options outstanding and exercisable, January 1, 2015	3,361,500	$ 1.39
Granted	50,000	$ 1.32
Forfeited	(50,000)	$ 1.90
Exercised	(922,000)	$ 1.02
Stock options outstanding and exercisable, December 31, 2015	2,439,500	$ 1.52
Granted	802,500	$ 2.95
Forfeited	(165,000)	$ 1.44
Expired	(19,500)	$ 1.02
Exercised	(1,079,000)	$ 1.17
Stock options outstanding and exercisable, December 31, 2016	1,978,500	$ 2.24

As at December 31, 2016, the weighted average remaining contractual life of stock options outstanding was 3.21 years (2015 – 2.38 years).

Details of stock options outstanding and exercisable are as follows:

		Stock Options Outstanding	
Expiry Date	Exercise Price	December 31, 2016	December 31, 2015
January 18, 2016	$1.02	—	204,500
September 30, 2016	$1.02	—	645,000
February 18, 2018	$1.60	147,500	195,000
September 9, 2018	$1.62	296,000	360,000
September 19, 2019	$1.90	667,500	855,000
December 22, 2019	$1.90	105,000	130,000
September 29, 2020	$1.32	—	50,000
September 2, 2021	$2.95	762,500	—
		1,978,500	2,439,500

Option pricing requires the use of highly subjective estimates and assumptions including the expected stock price volatility. The expected volatility used in valuing stock options is based on volatility observed in historical periods. Changes in the underlying assumptions can materially affect the fair value estimates.

The fair value of the options granted during the years ended December 31, 2016, 2015 and 2014 were calculated using the Black-Scholes model with the following weighted average assumptions:

	2016	2015	2014
Weighted average assumptions:			
Risk-free interest rate	0.69%	0.78%	1.51%
Expected dividend yield	0%	0%	0%
Expected option life (years)	5.00	5.00	5.00
Expected stock price volatility	65.13%	65.10%	67.25%
Weighted average fair value at grant date	$ 1.60	$ 0.65	$ 0.87

During the year ended December 31, 2016, the Company charged $1,160,079 (2015 – $40,820, 2014 – $982,782) to operations as share-based payments and capitalized $126,800 (2015 - $Nil, 2014 - $61,500) to exploration and evaluation assets.

For the years ended December 31, 2016, 2015 and 2014 (Expressed in Canadian dollars)

18. SHARE CAPITAL (continued)

d) Restricted Share Units:

On May 27, 2016, the Company's Restricted Share Unit ("RSU") Plan was approved by its shareholders. The RSU Plan is administered by the Compensation Committee under the supervision of the Board of Directors as compensation to officers, directors, consultants, and employees. The Compensation Committee determines the terms and conditions upon which a grant is made, including any performance criteria or vesting period.

Upon vesting, each RSU entitles the participant to receive one common share, provided that the participant is continuously employed with or providing services to the Company. RSUs track the value of the underlying common shares, but do not entitle the recipient to the underlying common shares until such RSUs vest, nor do they entitle a holder to exercise voting rights or any other rights attached to ownership or control of the common shares, until the RSU vests and the RSU participant receives common shares.

On September 2, 2016, 790,000 RSUs were granted, vesting one-third annually from the date of the grant until fully vested at the end of the year-year term. The weighted average fair value at the measurement date was $2.95, based on the TSX-V market price of the Company's shares on the date the RSUs were granted. At December 31, 2016, 83,060 RSUs are available for issuance under the plan.

During the year ended December 31, 2016, the Company charged $454,946 (December 31, 2015 - $Nil) to operations as share-based payments and capitalized $18,284 (December 31, 2015 - $Nil) to exploration and evaluation assets for the fair value of the RSUs issued. The fair value of the RSUs is recognized over the vesting period with reference to vesting conditions and the estimated RSUs expected to vest.

e) Earnings per share:

The calculations for basic earnings per share and diluted earnings per share are as follows:

	2016	2015	2014
Net income for the year	$ 1,992,479	$ 483,424	$ 2,514,169
Basic weighted average number of shares outstanding	42,695,999	36,229,424	32,333,224
Effect of dilutive share options, warrants, and RSUs	1,095,452	494,301	940,516
Diluted weighted average number of shares outstanding	43,791,451	36,723,725	33,273,740
Basic earnings per share	$ 0.05	$ 0.01	$ 0.08
Diluted earnings per share	$ 0.05	$ 0.01	$ 0.08

19. REVENUE AND COST OF SALES

Revenue and the related cost of sales reflect the sale of silver, gold and copper concentrate from the Avino Mine upon commencement of production at levels intended by management effective April 1, 2016 (nine months to December 31, 2016), the sale of silver and gold concentrate from the San Gonzalo Mine during the years ended December 31, 2016, 2015 and 2014, and the sale of silver and gold concentrate from the historic Avino stockpiles during the years ended December 31, 2015 and 2014.

Cost of sales consists of changes in inventories, direct costs including personnel costs, mine site costs, energy costs (principally diesel fuel and electricity), maintenance and repair costs, operating supplies, external services, third party transport fees, depreciation and depletion, and other expenses for the years. Direct costs include the costs of extracting co-products. Cost of sales is based on the weighted average cost of inventory sold for the years and consists of the following:

	2016	2015	2014
Production costs	$ 22,877,168	$ 9,638,275	$ 10,074,610
Depreciation and depletion	2,514,723	1,323,419	1,259,394
Share-based payments	—	—	59,400
	$ 25,391,891	$ 10,961,694	$ 11,393,404

20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses on the consolidated statements of operations consist of the following:

	2016	2015	2014
Salaries and benefits	$ 1,536,258	$ 1,353,453	$ 1,148,450
Management and consulting fees	1,225,229	1,244,716	606,941
Office and miscellaneous	656,589	361,054	275,128
Professional fees	475,817	529,311	389,681
Investor relations	341,865	229,191	239,538
Regulatory and compliance fees	321,568	66,368	126,713
Travel and promotion	227,771	250,101	210,053
Directors fees	220,000	163,500	81,134
Depreciation	15,909	18,158	18,358
	$ 5,021,006	$ 4,215,852	$ 3,095,996

21. COMMITMENTS

The Company has a cost sharing agreement to reimburse Oniva for a percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of the Company, and to pay a percentage fee based on Oniva's total overhead and corporate expenses. The agreement may be terminated with one-month notice by either party. Transactions and balances with Oniva are disclosed in Note 12 (c).

The Company and its subsidiaries have various operating lease agreements for their office premises, use of land, and equipment. Commitments in respect of these lease agreements are as follows:

	December 31, 2016	December 31, 2015
Not later than one year	$ 2,068,276	$ 209,063
Later than one year and not later than five years	747,823	749,242
Later than five years	26,816	43,951
	$ 2,842,915	$ 1,002,256

Office lease payments recognized as an expense during the year ended December 31, 2016 totalled $109,600 (2015 - $111,206; 2014 - $90,883).

22. SUPPLEMENTARY CASH FLOW INFORMATION

	2016	2015	2014
Net change in non-cash working capital items:			
Accounts payable and accrued liabilities	$ 826,012	$ 209,925	$ 1,943,542
Inventory	496,213	(519,469)	(1,949,673)
Amounts due to related parties	49,904	(4,244)	125,308
Current taxes recoverable	(1,685,910)	(1,394,418)	(1,308,973)
Amounts receivable	(364,932)	(1,161,444)	(1,123,799)
Prepaid expenses and other assets	(123,428)	(364,453)	(98,633)
Current taxes payable	(53,855)	158,114	950,563
	$ (855,996)	$ (3,075,989)	$ (1,461,655)

	2016	2015	2014
Interest paid	654,329	161,678	90,669
Taxes paid	4,155,331	5,849,101	172,076
Equipment acquired under finance leases and equipment loans	4,574,931	2,926,879	2,566,192

23. FINANCIAL INSTRUMENTS

The fair values of the Company's amounts due to related parties and accounts payable approximate their carrying values because of the short-term nature of these instruments. Cash, amounts receivable, short- and long-term investments, and warrant liability are recorded at fair value. The carrying amounts of the Company's term facility, equipment loans, and finance lease obligations are a reasonable approximation of their fair values based on current market rates for similar financial instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and market risk.

a) *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company has exposure to credit risk through its cash, short-term investments and amounts receivable.

The Company manages credit risk, in respect of cash and short-term investments, by maintaining the majority of cash and short-term investments at highly rated financial institutions.

The Company is exposed to a significant concentration of credit risk with respect to its trade accounts receivable balance because all of its concentrate sales are with three (2015 – three) counterparties. However, the Company has not recorded any allowance against its trade receivables because to-date all balances owed have been settled in full when due (typically within 60 days of submission) and because of the nature of the counterparties.

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the consolidated statement of financial position. At December 31, 2016, no amounts were held as collateral.

b) *Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by its operating, investing and financing activities. The Company had cash at December 31, 2016, in the amount of $15,816,628 (2015 - $7,475,134) in order to meet short-term business requirements. At December 31, 2016, the Company had current liabilities of $15,873,792 (2015 - $14,044,216) and working capital of $31,293,019 (2015 - $6,003,557). Accounts payable have contractual maturities of approximately 30 to 90 days, or are due on demand and are subject to normal trade terms. The current portions of term facility, equipment loans, and finance lease obligations are due within 12 months of the consolidated statement of financial position date. Amounts due to related parties are without stated terms of interest or repayment.

23. FINANCIAL INSTRUMENTS (continued)

b) Liquidity Risk (continued)

The maturity profiles of the Company's contractual obligations and commitments as at December 31, 2016 are summarized as follows:

	Total	Less Than 1 Year	1-5 years	More Than 5 Years
Accounts payable and accrued liabilities	$ 5,004,583	$ 5,004,583	$ —	$ —
Due to related parties	267,726	267,726	—	—
Minimum rental and lease payments	2,842,915	2,068,276	747,823	26,816
Term facility	12,531,867	6,265,934	6,265,933	—
Equipment loans	3,085,244	1,423,384	1,661,860	—
Finance lease obligations	4,040,607	2,050,344	1,990,263	—
Total	$ 27,772,942	$ 17,080,247	$ 10,665,879	$ 26,816

c) Market Risk

Market risk consists of interest rate risk, foreign currency risk and price risk. These are discussed further below

Interest Rate Risk
Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market rates differ from the interest rates on the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

In management's opinion, the Company is not exposed to significant interest rate cash flow risk as the Company's term facility, equipment loans, and finance lease obligations bear interest at fixed rates.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in Mexican pesos and US dollars:

23. FINANCIAL INSTRUMENTS (continued)

c) Market Risk (continued)

	December 31, 2016		December 31, 2015	
	MXN	USD	MXN	USD
Cash	$ 15,997,014	$ 7,021,861	$ 3,876,257	$ 4,647,007
Short-term investments	—	13,427,000	—	—
Amounts receivable	—	3,017,264	—	2,624,555
Accounts payable and accrued liabilities	(21,006,749)	(3,230,831)	(12,173,726)	(1,534,765)
Warrant liability	—	(1,629,797)	—	—
Term facility	—	(9,333,333)	—	(10,000,000)
Equipment loans	—	(1,107,696)	—	(313,052)
Finance lease obligations	(865,526)	(1,678,219)	(155,669)	(2,567,593)
Net exposure	(5,875,261)	6,486,249	(8,453,138)	(7,143,848)
Canadian dollar equivalent	$ (381,814)	$ 8,709,088	$ (680,890)	$ (9,887,086)

Based on the net Canadian dollar denominated asset and liability exposures as at December 31, 2016, a 10% fluctuation in the Canadian/Mexican and Canadian/US exchange rates would impact the Company's earnings for the year ended December 31, 2016 by approximately $874,727 (2015 - $981,899, 2014 - $45,188). The Company has not entered into any foreign currency contracts to mitigate this risk.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed to price risk with respect to its accounts receivable, as certain trade accounts receivable are recorded based on provisional terms that are subsequently adjusted according to quoted metal prices at the date of final settlement. Quoted metal prices are affected by numerous factors beyond the Company's control and are subject to volatility, and the Company does not employ hedging strategies to limit its exposure to price risk. At December 31, 2016, based on outstanding accounts receivable that were subject to pricing adjustments, a 10% change in metals prices would have an impact on net earnings (loss) of approximately $769,982 (2015 - $481,448, 2014 - $699,866).

The Company is exposed to price risk with respect to its long-term investments, as certain of these investments are carried at fair value based on quoted market prices. Changes in market prices result in gains or losses being recognized in net income (loss). At December 31, 2016, a 10% change in market prices would have an impact on net earnings of approximately $3,587 (2015 - $3,871, 2014 - $5,389).

The Company's profitability and ability to raise capital to fund exploration, evaluation and production activities is subject to risks associated with fluctuations in mineral prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

d) Classification of Financial Instruments

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) 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 (unobservable inputs).

For the years ended December 31, 2016, 2015 and 2014 (Expressed in Canadian dollars)

23. FINANCIAL INSTRUMENTS (continued)

The following table sets forth the Company's financial assets and financial liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as at December 31, 2016:

	Level 1	Level 2	Level 3
Financial assets			
Cash	$ 15,816,628	$ —	$ —
Short-term investments	13,427,000	—	—
Amounts receivable	—	4,095,249	—
Long-term investments	35,873	—	—
Financial liabilities			
Warrant liability	—	—	(2,188,328)
Total financial assets and liabilities, net	$ 29,279,501	$ 4,095,249	$ (2,188,328)

24. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and expansion of its properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the term facility, equipment loans, and finance lease obligations and the components of equity.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to incur new debt or issue new shares. Management reviews the Company's capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed capital requirements.

25. SEGMENTED INFORMATION

The Company's revenues for the year ended December 31, 2016, of $39,895,591 (2015 - $19,082,847; 2014 - $19,297,953) are all attributable to Mexico, from shipments of concentrate produced by the Avino Mine, the San Gonzalo Mine and the historic Avino stockpiles.

For the years ended December 31, 2016, 2015 and 2014, the Company had revenue from the following product mixes:

	2016	2015	2014
Silver	$ 27,780,684	$ 16,943,835	$ 16,566,269
Gold	9,054,989	6,091,126	6,112,628
Copper	9,276,592	56,652	—
Penalties, treatment costs and refining charges	(6,216,674)	(4,008,766)	(3,380,944)
Total revenue from mining operations	$ 39,895,591	$ 19,082,847	$ 19,297,953

For each of the years ended December 31, 2016, 2015 and 2014, the Company had three customers that accounted for total revenues as follows:

	2016	2015	2014
Customer #1	$ 25,504,714	$ —	$ —
Customer #2	8,373,559	—	—
Customer #3	6,017,318	8,574,018	—
Customer #4	—	7,185,331	—
Customer #5	—	3,323,498	16,029,588
Customer #6	—	—	2,795,134
Customer #7	—	—	473,231
Total revenue from mining operations	$ 39,895,591	$ 19,082,847	$ 19,297,953

25. SEGMENTED INFORMATION (continued)

Geographical information relating to the Company's non-current assets (other than financial instruments) is as follows:

	2016	2015
Exploration and evaluation assets - Mexico	$ 10,713,201	$ 21,094,568
Exploration and evaluation assets - Canada	30,630,864	20,282,406
Total exploration and evaluation assets	$ 41,344,065	$ 41,376,974

	2016	2015
Plant, equipment, and mining properties - Mexico	$ 32,506,077	$ 24,335,522
Plant, equipment, and mining properties - Canada	4,738,739	1,397,511
Total plant, equipment, and mining properties	$ 37,244,816	$ 25,733,033

26. INCOME TAXES

a) Income tax expense

Income tax expense included in the consolidated statements of operations and comprehensive income is as follows:

	2016	2015	2014
Current income tax expense	$ 4,187,048	$ 3,587,796	$ 1,820,970
Deferred income tax expense (recovery)	1,332,102	(1,128,192)	546,776
Total income tax expense	$ 5,519,150	$ 2,459,604	$ 2,367,746

The reconciliation of income taxes calculated at the Canadian statutory tax rate to the income tax expense recognized in the year is as follows:

	2016	2015	2014
Net income before income taxes	$ 7,511,629	$ 2,943,028	$ 4,881,915
Combined statutory tax rate	26.00%	26.00%	26.00%
Income tax expense at the Canadian statutory rate	1,953,024	765,187	1,269,298
Reconciling items:			
Effect of difference in foreign tax rates	406,740	157,826	223,465
Non-deductible/non-taxable items	927,830	18,553	(20,595)
Change in unrecognized deductible temporary differences	1,866,409	(121,621)	234,551
Impact of foreign exchange	1,030,341	1,025,185	622,254
Special mining duties	1,033,978	273,478	292,403
Expiry of tax losses	—	409,322	—
Revisions to estimates	(1,450,585)	(50,152)	(161,645)
Share issue costs and other items	(248,587)	(18,174)	(91,985)
Income tax expense recognized in the year	$ 5,519,150	$ 2,459,604	$ 2,367,746

The Company recognized a non-cash expense of $418,646 for the year ended December 31, 2016 (2015 - $461,199; 2014 - $385,057) related to the deferred tax impact of the special mining duty. Currency translation differences of foreign operations included within other comprehensive income for the year ended December 31, 2016 is net of tax of $69,982 (2015 - $384,081; 2014 - $206,121).

For the years ended December 31, 2016, 2015 and 2014 (Expressed in Canadian dollars)

26. INCOME TAXES (continued)

b) Deferred income tax assets and liabilities

	2016	2015
Deferred income tax assets	$ 3,800,764	$ 1,831,158
Deferred income tax liabilities	(10,095,764)	(6,724,074)
	$ (6,295,000)	$ (4,892,916)

The approximate tax effects of each type of temporary difference that gives rise to potential deferred income tax assets and liabilities are as follows:

	2016	2015
Reclamation provision	$ 674,822	$ 783,350
Inventory	(135,168)	(183,935)
Exploration and evaluation assets	(5,727,008)	(3,486,768)
Plant, equipment and mining properties	(4,233,588)	(3,053,371)
Other deductible temporary differences	3,125,942	1,047,808
Net deferred income tax liabilities	$ (6,295,000)	$ (4,892,916)

The deferred tax liability presented in these consolidated financial statements is due to the difference in the carrying amounts and tax bases of the Mexican plant, equipment and mining properties which were acquired in the purchase of Avino Mexico. The carrying values of the Mexican plant, equipment and mining properties includes an estimated fair value adjustment recorded upon the July 17, 2006, acquisition of control of Avino Mexico that was based on a share exchange, while the tax bases of these assets are historical undeducted tax amounts that were nil on acquisition. The deferred tax liability is attributable to assets in the tax jurisdiction of Mexico.

c) Unrecognized deductible temporary differences:

Temporary differences and tax losses arising in Canada have not been recognized as deferred income tax assets due to the fact that management has determined it is not probable that sufficient future taxable profits will be earned in Canada to recover such assets. Unrecognized deductible temporary differences are summarized as follows:

	2016	2015
Tax losses carried forward	$ 21,823,849	$ 24,774,628
Plant, equipment and mining properties	5,200,000	998,254
Investments	253,846	264,723
Exploration and evaluation assets	1,688,462	14,573,957
Reclamation provision	7,526,923	2,596
Other deductible temporary differences	3,438,462	2,037,508
Unrecognized deductible temporary differences	$ 39,931,542	$ 42,651,666

The Company has capital losses of $1,469,231 carried forward and $21,823,849 in non-capital tax losses carried forward available to reduce future Canadian taxable income. The capital losses can be carried forward indefinitely until used. The non-capital losses have an expiry date range of 2022 to 2036. As at December 31, 2016, the Company had no Mexican tax losses available to offset future Mexican taxable income.

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