AVINO SILVER & GOLD MINES LTD.

Consolidated Financial Statements

For the years ended December 31, 2014, 2013 and 2012

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 judgements 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, 2014 and 2013 and for the years ended December 31, 2014, 2013, and 2012 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 20, 2015

"Malcolm Davidson"

Malcolm Davidson, CA
Chief Financial Officer
March 20, 2015

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7

Tel: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

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, 2014 and 2013, and the consolidated statements of operations and comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2014, 2013 and 2012, 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, 2014 and 2013, and the results of its operations and its cash flows for the years ended December 31, 2014, 2013 and 2012 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

March 20, 2015

AVINO SILVER & GOLD MINES LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	December 31, 2014	December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents		$ 4,249,794	$ 3,839,595
Amounts receivable		2,568,873	1,431,781
Sales taxes recoverable	**6**	1,658,617	307,101
Prepaid expenses and other assets		812,600	713,967
Inventory	**7**	3,804,141	1,854,468
		13,094,025	8,146,912
Exploration and Evaluation Assets	**8**	29,909,220	15,686,176
Plant, Equipment and Mining Properties	**11**	18,173,513	10,564,617
Investments in Related Companies	**12**	33,889	94,040
Investments in Other Companies	**13**	60,000	55,000
Reclamation Bonds		145,500	5,500
		$ 61,416,147	$ 34,552,245
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 3,968,646	$ 1,410,947
Amounts due to related parties	**20(b)**	222,066	156,833
Current portion of finance lease obligations	**21**	1,292,326	585,845
Taxes payable		993,110	42,547
		6,476,148	2,196,172
Warrant Liability	**14**	239,690	-
Finance Lease Obligations	**21**	2,007,010	1,090,977
Reclamation Provision	**15**	2,005,881	1,833,938
Deferred Income Tax Liabilities	**27**	5,637,027	4,884,130
Total liabilities		16,365,756	10,005,217
EQUITY			
Share Capital	**16**	58,606,898	42,784,832
Equity Reserves		10,797,709	10,150,849
Treasury Shares (14,180 shares, at cost)		(101,869)	(101,869)
Accumulated Other Comprehensive Income		1,672,009	215,680
Accumulated Deficit		(25,924,356)	(28,502,464)
Total Equity		45,050,391	24,547,028
		$ 61,416,147	$ 34,552,245

Commitments – Note 23
Subsequent Events – Note 28

Approved by the Board of Directors on March 20, 2015:

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

		2014	2013	2012
Revenue from Mining Operations	**18**	$ 19,297,953	$ 16,094,701	$ 2,255,376
Cost of Sales	**18**	11,393,404	8,968,409	1,434,569
Mine Operating Income		7,904,549	7,126,292	820,807
Operating Expenses				
General and administrative expenses	**19**	3,220,134	3,339,069	1,911,338
Share-based payments	**17**	923,382	908,362	18,408
Operating Earnings (Loss)		3,761,033	2,878,861	(1,108,939)
Other Items				
Fair value adjustment on warrant liability	**14**	1,055,957	-	-
Foreign exchange gain		316,599	415,278	116,562
Gain on forgiveness of debt		58,967	-	-
Interest and other income		41,658	145,406	45,224
Unrealized gain on investments in other companies	**13**	5,000	-	-
Accretion of reclamation provision		(131,787)	-	-
Finance cost		(129,953)	-	-
Share of net loss of equity investee		(90,944)	-	-
Unrealized loss on investments in related companies	**12**	(4,615)	(99,833)	(110,021)
Mineral property option income		-	69,500	54,317
Net Income (Loss) Before Income Taxes		4,881,915	3,409,212	(1,002,857)
Income Taxes				
Current income tax expense	**27**	(1,820,970)	(42,547)	-
Deferred income tax expense	**27**	(546,776)	(2,518,453)	(260,321)
		(2,367,746)	(2,561,000)	(260,321)
Net Income (Loss)		2,514,169	848,212	(1,263,178)
Other Comprehensive Income (Loss)				
Items that may be reclassified subsequently to income or loss				
Currency translation differences of foreign operations		1,456,329	545,891	(67,811)
Comprehensive Income (Loss)		$ 3,970,498	$1,394,103	$(1,330,989)
Earnings (Loss) per Share				
Basic		$0.08	$0.03	$(0.05)
Diluted		$0.08	$0.03	$(0.05)
Weighted Average Number of Common Shares Outstanding				
Basic		32,333,224	27,405,179	27,072,053
Diluted		33,273,740	27,701,403	27,072,053

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, 2014, 2013 and 2012
(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, 2012		**26,910,227**	**$ 41,720,083**	**$ 9,898,186**	**$ (101,869)**	**$ (262,400)**	**$ (28,319,741)**	**$ 22,934,259**
Common shares issued for cash:								
Exercise of stock options		82,000	75,600	-	-	-	-	75,600
Shares issued for leased claim payment		135,189	250,100	-	-	-	-	250,100
Carrying value of stock options exercised		-	42,320	(42,320)	-	-	-	-
Share-based payments		-	-	18,408	-	-	-	18,408
Options and warrants cancelled or expired		-	-	(124,600)	-	-	124,600	-
Net loss for the year		-	-	-	-	-	(1,263,178)	(1,263,178)
Currency translation differences of foreign operations		-	-	-	-	(67,811)	-	(67,811)
Balance, December 31, 2012		**27,127,416**	**$ 42,088,103**	**$ 9,749,674**	**$ (101,869)**	**$ (330,211)**	**$ (29,458,319)**	**$ 21,947,378**
Common shares issued for cash:								
Exercise of stock options		361,418	297,185	-	-	-	-	297,185
Carrying value of stock options exercised		-	399,544	(399,544)	-	-	-	-
Share-based payments		-	-	908,362	-	-	-	908,362
Options and warrants cancelled or expired		-	-	(107,643)	-	-	107,643	-
Net income for the year		-	-	-	-	-	848,212	848,212
Currency translation differences of foreign operations		-	-	-	-	545,891	-	545,891
Balance, December 31, 2013		**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	**16**	4,982,677	11,461,810	-	-	-	-	11,461,810
Less share issuance costs	**16**		(816,537)	-	-	-	-	(816,537)
Exercise of stock options	**16**	266,457	307,937	-	-	-	-	307,937
Carrying value of stock options exercised		-	333,483	(333,483)	-	-	-	-
Shares issued for asset acquisition	**5**	2,636,845	4,535,373	-	-	-	-	4,535,373
Share-based payments	**17**	-	-	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**

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

AVINO SILVER & GOLD MINES LTD.
Consolidated Statements of Cash Flows
For the years ended December 31, 2014, 2013 and 2012
(Expressed in Canadian dollars)

	Note	2014	2013	2012
Cash Provided By (Used In):				
Operating Activities				
Net income (loss)		$ 2,514,169	$ 848,212	$ (1,263,178)
Adjustments for non-cash items:				
Depreciation and depletion		1,277,752	950,013	194,453
Share-based payments		982,782	908,362	18,408
Deferred income tax expense		546,776	2,518,453	260,321
Accretion of reclamation provision		131,787	-	-
Share of net loss of equity investee		90,944	-	-
Fair value adjustment on warrant liability		(1,055,957)	-	-
Foreign exchange gain		(111,289)	-	-
Gain on forgiveness of debt		(58,967)	-	-
Unrealized loss (gain) on investments		(385)	99,833	110,021
Other income		-	(88,637)	-
Sales tax provision recovery		-	-	(46,640)
Mineral property option income		-	(39,500)	(15,000)
		4,317,612	5,196,736	(741,615)
Net change in non-cash working capital items	**22**	(1,461,655)	(1,213,384)	(718,112)
		2,855,957	3,983,352	(1,459,727)
Financing Activities				
Shares and units issued for cash, net of issuance costs		12,248,857	297,185	75,600
Finance lease payments		(943,678)	(335,531)	(42,969)
		11,305,179	(38,346)	32,631
Investing Activities				
Recovery of exploration costs from concentrate proceeds		3,428,624	-	3,490,581
Cash from acquisition of subsidiary	**5**	92,792	-	-
Exploration and evaluation expenditures		(11,853,024)	(901,912)	(2,387,771)
Additions to plant, equipment and mining properties		(5,472,774)	(3,315,192)	(946,286)
Proceeds from sale of equipment		-	88,637	-
		(13,804,382)	(4,128,467)	156,524
Change in cash and cash equivalents		356,754	(183,461)	(1,270,572)
Effect of exchange rate changes on cash and cash equivalents		53,445	(12,929)	24,093
Cash and Cash Equivalents, Beginning		3,839,595	4,035,985	5,282,464
Cash and Cash Equivalents, Ending		$ 4,249,794	$ 3,839,595	$ 4,035,985

Cash and Cash Equivalents Consist of:			
Bank balances	$4,249,794	$3,195,349	$1,625,185
Guaranteed investment certificates	-	644,246	2,410,800
	$4,249,794	$3,839,595	$4,035,985

Supplementary Cash Flow Information (Note 22)

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

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 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 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 statement of operations items to Canadian dollars 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.

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgements and Estimates

The Company's management makes judgements 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 judgements 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 these consolidated financial statements have been impacted by management's determination that the San Gonzalo Mine had achieved production levels intended by management as of October 1, 2012, and that none of the Company's exploration and evaluation assets had achieved production levels intended by management as at December 31, 2014.

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgements and Estimates (continued)

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:

- Installation and consistent operation of all critical capital components. Capital components vary depending on the nature of the resource extraction and mineral processing methods (for example, milling operation or heap leach operation) and are generally included in the technical report for the mineral property;
- Proven ability of the mineral property to produce a saleable product, often evidenced by successful execution of a bulk sampling program;
- Mineral recoveries from sampling programs and test operations at, or above, levels necessary for profitable production;
- Availability of labour for all aspects of a sustainable mining operation, either through the Company's own workforce, the use of contractors, or a combination thereof;
- Achievement of consistent levels of resource output (through milling, leaching, or other methods) at a capacity determined by management in consultation with mining specialists to be within design capacity and economic to the mining operation;
- An operating test period of suitable duration to provide evidence of the mine's ability to sustain ongoing uninterrupted production of economic mineralized material.

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. ***Acquisition of Bralorne Gold Mines Ltd.***

Management has determined that the acquisition of all of the outstanding shares of Bralorne Gold Mines Ltd. on October 20, 2014 was an asset acquisition for accounting purposes as the Bralorne Mine property was in the exploration and evaluation stage and had not demonstrated technical feasibility, commercial viability, or the ability to provide economic benefits.

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 mineralized material stockpile and concentrate include estimates of silver and gold contained in the stockpile and finished goods assumptions for the amount of 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 mineralized material stockpile and concentrate inventory, which would result in an increase in the Company's expenses and a reduction in its working capital.

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgements and Estimates (continued)

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 end of the life of the Avino and San Gonzalo mines. 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 and 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 and 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.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgements and Estimates (continued)

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***

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.

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
Bralorne Gold Mines Ltd.	100%	Canada	Mining and exploration
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")	98.39% direct 1.27% indirect (Promotora) 99.66% effective	Mexico	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 October 20, 2014, the Company acquired a 100% ownership interest in Bralorne Gold Mines Ltd. ("Bralorne") (Note 5). Bralorne's fiscal year end date prior to the acquisition was January 31.

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation (continued)

On June 4, 2013, the Company converted existing loans advanced to Avino Mexico into new additional shares, resulting in an increase of the Company's ownership by 0.38% to an effective 99.66%. The intercompany loans and investments are eliminated upon consolidation of the financial statements. The Company had a pre-existing effective ownership interest of 99.28% in Avino Mexico prior to the 0.38% increase. The issuance of shares to the Company by Avino Mexico on June 4, 2013, resulted in a reduction in the non-controlling interest from 0.72% to 0.34%.

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 and cash equivalents, amounts receivable, investments in related and other companies, reclamation bonds, accounts payable, amounts due to related parties, warrant liability, and finance lease obligations.

The Company has classified its cash and cash equivalents, investments in related and other companies, and warrant liability as FVTPL. Amounts receivable, and reclamation bonds are classified as loans and receivables. Accounts payable, amounts due to related parties, 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 fair value through profit or loss are measured at fair value. All gains and losses resulting from changes in their fair value are included in net income (loss) in the period in which they arise.

(ii) Held-to-maturity investments and 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 (loss), using the effective interest method less any impairment.

(iii) 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 (loss). Other than temporary impairments on available-for-sale financial assets are recorded in net income (loss).

2. BASIS OF PRESENTATION (continued)

Financial Instruments (continued)

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 (loss). At December 31, 2014, the Company classified share purchase warrants with an exercise price in U.S. dollars (see Note 14) 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 (loss).

Cash and cash equivalents

Cash and cash equivalents in the 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, geological, geophysical studies, exploratory drilling, and sampling. Incidental revenues and operating costs 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 has 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.

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.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 initial estimate of the 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.

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, 2014, 2013, and 2012, the Company estimated a remaining mine life for San Gonzalo of 4.8 years, 5.8 years, and 5.4 years respectively.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

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 silver, gold, and copper concentrate in a saleable form. The Company has bulk silver, gold, and copper 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory (continued)

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 Metal Exchange during the quotation period less treatment, refining and smelting charges, and penalties.

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 on delivery based upon provisional assays and quoted metal prices at the time. Revenues are recorded when title passes from the Company to the buyer based on the spot price on date of delivery, and subsequently adjusted to market price based on the date of the final settlement.

Prior to the date that management's intended production levels have been achieved, concentrate sales incidental to the exploration of mineral properties are recorded net of production costs 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

The Company's share option plan allows directors, officers, employees, and consultants to acquire common shares of the Company. All options granted are measured at fair value, and are recognized in expenses as share-based payments over the vesting period with a corresponding increase in equity reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of employee options is measured at the grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. Share options granted to non-employees or consultants are measured at the fair value of services received or indirectly by reference to the fair value of the options if the fair value of the services cannot be estimated reliably. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

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 mining 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 mineral property. 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. Additional disturbances, changes in costs, or changes in assumptions are recognized as adjustments to the corresponding assets and reclamation liabilities when they occur.

Earnings (loss) per share

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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 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.

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

The following accounting policies were adopted by the Company during the year:

IAS 36 – Impairment of Assets
In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when an asset's or a CGU's recoverable amount is based on fair value less costs of disposal.

IFRIC 21 – Levies
In May 2013, the IASB issued IFRIC 21, Levies ("IFRIC 21"), an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The following accounting standards were issued but not yet effective as of December 31, 2014:

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 framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRS 9 – Financial Instruments
The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

(Expressed in Canadian dollars)

4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Annual improvements
In December 2013, the IASB issued the Annual Improvements 2010-2012 and 2011-2013 cycles, effective for annual periods beginning on or after July 1, 2014. In September 2014, the IASB issued the Annual Improvements 2012-2014 cycle, effective for annual periods beginning on or after July 1, 2016. These Annual Improvements made necessary but non-urgent amendments to existing IFRSs. These amendments are not expected to have a significant impact on the Company's consolidated financial statements.

5. ACQUISITION OF BRALORNE GOLD MINES LTD.

In August 2014, Avino and Bralorne Gold Mines Ltd. ("Bralorne") entered into a binding arrangement agreement, whereby Avino would acquire all of the outstanding common shares of Bralorne, which Avino did not already own, by way of a plan of arrangement under the Business Corporations Act (British Columbia).

On July 8, 2014, Avino acquired a 33.33% interest in Bralorne from an unrelated party on the open market for cash consideration of $2,660,000 in connection with its intention to acquire all of the outstanding common shares of Bralorne. With the acceptance of the TSX-V, Avino also made a $1,250,000 loan to Bralorne (in three tranches) to provide immediate working capital. The loan carried interest at 12% per annum, and the principal amount and accrued interest were secured by a general security agreement against all of the assets of Bralorne. On October 20, 2014, under the plan of arrangement, Bralorne shareholders received 2,636,845 common shares of Avino, resulting in Bralorne becoming a wholly-owned subsidiary of Avino. Fractional shares of Avino have been rounded down to the nearest lower whole share. All unexercised outstanding stock options of Bralorne have been cancelled. Bralorne's common shares have been delisted from the TSX Venture Exchange and the OTCQX.

The transaction has been accounted for as an asset acquisition as the Bralorne Mine property is in the exploration and evaluation stage and had not demonstrated technical feasibility, commercial viability, or the ability to provide economic benefits. Bralorne's primary asset, the Bralorne Mine property, did not have the workforce, resources and reserves, mine plan, or financial resources to meet the definition of a business for accounting purposes.

The consideration for the acquisition of Bralorne by Avino consists of:

- $4,535,373 by issuance of 2,636,845 common shares valued at the closing price of Avino's shares of $1.72 per share on the transaction date;
- $2,624,592 carrying value of the equity interest in Bralorne (9,679,149 common shares) immediately before the transaction date;
- $986,825 of transaction costs incurred by Avino, including investment advisor fees, legal and accounting fees, directors' fees for the special committees of Avino and Bralorne, independent fairness opinions, and other acquisition-related costs.

The purchase consideration is summarized as follows:

2,636,845 Avino shares at their fair value of $1.72 per share	$	4,535,373
Carrying value of equity interest in Bralorne (9,679,149 common shares)		2,624,592
Transaction costs		986,825
	$	8,146,790

(Expressed in Canadian dollars)

5. ACQUISITION OF BRALORNE GOLD MINES LTD. (continued)

The purchase consideration has been assigned based on the relative fair values of the assets acquired and liabilities assumed as follows:

Cash	$	92,792
Amounts receivable		13,293
Sales taxes recoverable		42,543
Amounts due from related parties		1,118
Reclamation bonds		140,000
Exploration and evaluation assets		9,752,300
Equipment		88,534
Loan payable		(1,271,633)
Accounts payable and accrued liabilities		(614,157)
Reclamation provision		(98,000)
	$	8,146,790

6. SALES TAXES RECOVERABLE

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

		2014		2013
VAT recoverable	$	1,510,812	$	292,242
GST/HST recoverable		147,805		14,859
Sales taxes recoverable	$	1,658,617	$	307,101

7. INVENTORY

		2014		2013
Concentrate inventory	$	349,627	$	448,019
Process material stockpiles		2,730,816		1,041,994
Materials and supplies		723,698		364,455
	$	3,804,141	$	1,854,468

The amount of inventory recognized as an expense for the year ended December 31, 2014 totalled $11,393,404 (2013 – $8,968,409; 2012 - $1,434,569), and includes production costs and depreciation and depletion directly attributable to the inventory production process.

(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, 2013	$ 12,828,198	$ 3	$ 1	$ 12,828,202
Costs incurred during 2013:				
Assessments and taxes	181,048	-	-	181,048
Drilling and exploration	524,433	-	-	524,433
Reclamation provision	1,500,000	-	-	1,500,000
Geological and related services	196,431	-	-	196,431
Depreciation of plant and equipment	240,021	-	-	240,021
Effect of movements in exchange rates	216,041	-	-	216,041
Balance, December 31, 2013	$ 15,686,172	$ 3	$ 1	$ 15,686,176
Acquisition	-	9,752,300	-	9,752,300
Costs incurred during 2014:				
Assays	-	16,088	-	16,088
Assessments and taxes	164,127	678	-	164,805
Mine and camp costs	4,099,672	1,323,105	-	5,422,777
Drilling and exploration	870,562	368,081	-	1,238,643
Geological and related services	68,328	85,425	-	153,753
Depreciation of plant and equipment	495,847	-	-	495,847
Effect of movements in exchange rates	407,455	-	-	407,455
Sale of concentrate	(2,510,304)	(918,320)	-	(3,428,624)
Balance, December 31, 2014	$ 19,281,859	$ 10,627,360	$ 1	$ 29,909,220

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 4 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 levels intended by management as of October 1, 2012, and on that date accumulated exploration and evaluation costs for the San Gonzalo mine were transferred to mining properties.

8. EXPLORATION AND EVALUATION ASSETS (continued)

(a) Durango, Mexico (continued)

(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 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 around the towns of Panuco de Coronado and San Jose de Avino and surrounding the formerly producing 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".

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.

The Company has agreed to pay to Minerales a royalty equal to 3.5% of net smelter returns ("NSR") at the commencement of production from the property. 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 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.

(b) British Columbia, Canada

(i) Bralorne Mine

The Bralorne property consists of 154 Crown granted mineral claims, ten freehold parcels of land, two reverted Crown granted claims, and eight metric unit claims that include the former Bralorne, Pioneer, and King gold mines in the historic Bridge River gold mining camp of southwest British Columbia. The entire Bralorne Gold Mine Property covers approximately 2,490 hectares. The Property is located 160 kilometres due north of Vancouver, British Columbia, Canada. There is an underlying agreement on twelve 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.

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

(b) British Columbia, Canada (continued)

(ii) 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.

(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. In January 2012, the Company entered into an option agreement on the Eagle property, under which the optionee is required to make cash payments, incur exploration expenditures, and issue shares to the Company in order to earn a 75% interest in the property.

9. MINERAL PROPERTY OPTION AGREEMENTS

The Company has two option agreements on certain mineral properties included in exploration and evaluation assets. During the year ended December 31, 2014, a total of $Nil was recognized as mineral property option income in respect of payments received under these two option agreements (2013 - $69,500; 2012 - $54,317).

(a) On July 30, 2012, the Company entered into an option and joint venture agreement with Endeavour Silver Corp. ("Endeavour"), whereby Endeavour was granted the option to acquire up to a 75% interest in the Laberinto property, consisting of approximately 91.7 hectares located in Durango State, Mexico. In order to exercise the option, Endeavour must pay a total of US$200,000 to the Company, and incur a total of US$3,000,000 in exploration work as follows:

		Cash		Exploration Expenditures
Upon signing July 30, 2012 (received)	US$	20,000	US$	–
On or before July 30, 2013 (received and incurred)		30,000		300,000
On or before July 30, 2014 (not received – option cancelled)		40,000		500,000
On or before July 30, 2015		50,000		1,000,000
On or before July 30, 2016		60,000		1,200,000
	US$	200,000	US$	3,000,000

Upon Endeavour acquiring its 75% interest, a joint venture will be formed, under which if any party does not contribute its proportionate share of costs, its participating interest will be diluted on a pro rata basis according to the contributions of all parties. If any party's participating interest is reduced to 10% or less, then its interest will be automatically converted into a 2.5% net smelter returns royalty.

In July 2014, Endeavour opted out of the option agreement. As a result, the Company retains a 100% interest in the Laberinto property, and will not receive further cash payments under the option agreement.

(Expressed in Canadian dollars)

9. MINERAL PROPERTY OPTION AGREEMENTS (continued)

(b) In January 2012, the Company entered into an option agreement with Avaron Mining Corp. ("Avaron"), a private Canadian company, whereby Avaron can earn the exclusive right and option to acquire a 100% title to and interest in the Company's Eagle property located in the Yukon Territory.

In April 2013, the option agreement was assigned to Benz Mining Corp. ("Benz"), a Canadian public company, pursuant to the terms of an option purchase and assignment agreement dated November 30, 2012. Pursuant to the agreement, Benz acquired all of Avaron's interest in the option agreement between Avaron and Avino. As consideration for Avino's consent to the agreement, Benz and Avaron issued to Avino 50,000 common shares with a fair value of $14,500 (Note 13) and 250,000 common shares with a fair value of $25,000 respectively. The terms of the agreement allow Benz to earn a 75% interest by making total cash payments of $350,000, issuing 550,000 common shares, incurring exploration costs of $100,000, and drilling 35,000 meters (or incurring exploration costs of up to $7,100,000) as follows:

	Cash	Exploration Expenditures	Number of Shares
On approval of the agreement by TSX (received)	$ –	$ –	50,000
On or before January 31, 2014 (incurred)	–	100,000	–
On or before January 31, 2015	100,000	625,000	–
On or before January 31, 2016	100,000	1,000,000	250,000
On or before January 31, 2017	50,000	2,000,000	250,000
On or before January 31, 2018	100,000	3,375,000	–
	$ 350,000	$ 7,100,000	550,000

After the initial 75% interest is earned, Benz may elect to either form a Joint Venture with the Company, or to earn the remaining 25% interest by paying a series of annual advance royalties and completing other activities as defined in the option agreement.

Upon signing the original agreement with Avaron, the Company received a cash payment of $25,000 and 150,000 common shares of Avaron. Of the cash payment $5,143 was recorded as a reduction to the carrying value of the Eagle property, resulting in a carrying value of $1 for the Eagle property within exploration and evaluation assets. The remaining cash proceeds of $19,857 were recorded as option income along with the $15,000 fair value of the 150,000 common shares.

Subsequent to the year ended December 31, 2014, Benz opted out of the option agreement. Consequently, the Company retains a 100% interest in the Eagle property.

10. NON-CONTROLLING INTEREST

At December 31, 2014, the Company had an effective 99.66% (2013 - 99.66%) interest in its subsidiary Avino Mexico and the remaining 0.34% (2013 - 0.34%) 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.

(Expressed in Canadian dollars)

11. 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, 2013	2,680,320	21,387	90,678	1,753,306	2,095,473	331,112	6,972,276
Additions	607,068	23,592	21,852	2,894,154	1,292,746	173,676	5,013,088
Effect of movements in exchange rates	145,640	1,162	4,927	95,268	113,860	17,991	378,848
Balance at December 31, 2013	3,433,028	46,141	117,457	4,742,728	3,502,079	522,779	12,364,212
Additions	808,713	15,663	96,138	3,290,323	4,252,272	117,800	8,580,909
Effect of movements in exchange rates	276,388	3,715	9,456	381,830	281,947	42,088	995,424
Balance at December 31, 2014	4,518,129	65,519	223,051	8,414,881	8,036,298	682,667	21,940,545
ACCUMULATED DEPLETION AND DEPRECIATION							
Balance at January 1, 2013	94,188	8,073	23,633	384,513	116,379	37,010	663,796
Additions	122,474	5,097	11,264	510,939	98,682	351,275	1,099,731
Effect of movements in exchange rates	5,117	439	1,284	20,893	6,324	2,011	36,068
Balance at December 31, 2013	221,779	13,609	36,181	916,345	221,385	390,296	1,799,595
Additions	533,465	7,657	29,610	1,008,949	204,881	37,990	1,822,552
Effect of movements in exchange rates	17,855	1,096	2,913	73,775	17,823	31,423	144,885
Balance at December 31, 2014	773,099	22,362	68,704	1,999,069	444,089	459,709	3,767,032
NET BOOK VALUE							
At December 31, 2014	**3,745,030**	**43,157**	**154,347**	**6,415,812**	**7,592,209**	**222,958**	**18,173,513**
At December 31, 2013	3,211,249	32,532	81,276	3,826,383	3,280,694	132,483	10,564,617

Plant, equipment, and mining properties includes $892,172 as at December 31, 2014 (December 31, 2013 - $456,414), on which no depreciation was charged in the years then ended.

(Expressed in Canadian dollars)

12. INVESTMENTS IN RELATED COMPANIES

Investments in related companies comprise the following:

	Cost	Accumulated Unrealized Gains	Fair Value December 31, 2014	Fair Value December 31, 2013
(a) Bralorne Gold Mines Ltd.	$ -	$ -	$ -	$ 57,327
(b) Levon Resources Ltd.	4,236	29,652	33,888	36,712
(c) Oniva International Services Corp.	1	-	1	1
	$ 4,237	$ 29,652	$ 33,889	$ 94,040

During the year ended December 31, 2014, the Company recorded a $4,615 unrealized loss (2013 - $99,833 loss, 2012 - $110,021 loss) on investments in related companies, representing the change in fair value during the period.

(a) Bralorne Gold Mines Ltd. ("Bralorne")

Bralorne was a public company with common directors. During the year ended December 31, 2014, the Company acquired all outstanding shares of Bralorne that it didn't already own, and reclassified its ownership interest as subsidiary (Note 5).

(b) Levon Resources Ltd. ("Levon")

The Company's investment in Levon consists of 141,200 common shares with a quoted market value of $33,888 as at December 31, 2014 (December 31, 2013 - $36,712). Levon is a public company with common directors.

(c) Oniva International Services Corp. ("Oniva")

The Company and its subsidiary each hold a 1/6 indirect beneficial ownership interests in Oniva, with four other public companies holding equal 1/6 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 all five of the other companies. The companies' interests in Oniva are held in trust by David Wolfin and a family member of Mr. Wolfin. See Note 20(c) for a description of transactions with Oniva and Note 23 for disclosure of the Company's commitments with Oniva.

13. INVESTMENTS IN OTHER COMPANIES

The Company classifies its investments in other companies as a long-term investment designated at fair value through profit and loss, summarized as follows:

	Cost	Accumulated Unrealized Gains	Fair Value December 31, 2014	Fair Value December 31, 2013
(a) Avaron Mining Corp.	$ 40,000	$ -	$ 40,000	$ 40,000
(b) Benz Capital Corp.	14,500	5,500	20,000	15,000
	$ 54,500	$ 5,500	$ 60,000	$ 55,000

13. INVESTMENTS IN OTHER COMPANIES (continued)

(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 in accordance with the consent to assign the option agreement on the Eagle property referred to in Note 9(b) from Avaron to Benz Mining Corp.

(b) Benz Capital Corp. ("Benz")

In April 2013, the Company acquired 50,000 common shares of Benz as part of the assignment of the option agreement on the Eagle property referred to in Note 9(b). The value assigned to the investment is based on the market price of Benz's common shares on the date the agreement was entered into.

14. 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, 2014
Balance at beginning of the year	$ -
Recognition upon issuance	1,295,647
Fair value adjustment	(1,055,957)
Balance at end of the year	$ 239,690

Continuity of derivative warrants during the year is as follows:

	Underlying Shares	Weighted Average Exercise Price
Derivative warrants outstanding and exercisable, December 31, 2013	-	-
Issued	1,033,059	US$2.87
Derivative warrants outstanding and exercisable, December 31, 2014	1,033,059	US$2.87

Derivative warrants outstanding and exercisable as at December 31, 2014 are as follows:

	Exercise Price	Derivative Warrants Outstanding and Exercisable	
Expiry Date	per Share	December 31, 2014	December 31, 2013
February 25, 2017	US$2.87	1,033,059	-

As at December 31, 2014, the weighted average remaining contractual life of warrants outstanding was 2.14 years.

(Expressed in Canadian dollars)

14. 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:

	December 31, 2014	February 20, 2014 (Date of issuance)
Weighted average assumptions:		
Risk-free interest rate	1.00%	1.20%
Expected dividend yield	0%	0%
Expected option life (years)	2.14	3.00
Expected stock price volatility	66.42%	69.49%
Weighted average fair value	$0.23	$1.25

15. RECLAMATION PROVISION

Management's estimate of the reclamation provision at December 31, 2014 is $2,005,881 (December 31, 2013 - $1,833,938). The present value of the obligation was calculated using a risk-free interest rate of 7% (December 31, 2013 – 7%) and an inflation rate of 4.25% (December 31, 2013 – 4.25%). Reclamation activities are estimated to begin in 2019 for San Gonzalo and in 2023 for the Avino Mine. The undiscounted value of the obligation is $2,269,534 (December 31, 2013 - $2,274,153).

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

		December 31, 2014		December 31, 2013
Balance at beginning of the year	$	1,833,938	$	323,140
Unwinding of discount		131,787		21,596
Change in estimates		-		(28,648)
Effect of movements in exchange rates		(57,844)		17,850
Provision recognized on acquisition of Bralorne Gold Mines Ltd.		98,000		-
Initial recognition of provision for Avino Mine		-		1,500,000
Balance at end of the year	$	2,005,881	$	1,833,938

16. SHARE CAPITAL

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

(b) Issued:

(i) As at December 31, 2014, the Company sold an aggregate of 375,851 common shares at an average price of $2.26 (US$2.08) per common share for gross proceeds of $850,430 (US$783,117) in an at-the-market offering issued under a prospectus supplement of up to US$25,000,000, which was filed on July 7, 2014.

The Company paid 3% cash commission on the gross proceeds in the amount of $25,513 (US$23,493) and incurred additional accounting, legal and regulatory costs of $3,276.

16. SHARE CAPITAL (continued)

(b) Issued (continued):

(ii) On February 20, 2014, the Company closed an at-the-market brokered public offering issuing 2,540,709 common shares at an average price of $2.50 (US$2.26) per common share for gross proceeds of $6,340,523 (US$5,741,668).

The Company paid a 3% cash commission on the gross proceeds in the amount of $190,216 (US$172,250) and incurred additional accounting, legal and regulatory costs of $167,871.

(iii) On February 21, 2014, the Company closed a brokered private placement issuing 2,066,117 units at a price of $2.69 (US$2.42) per unit for gross proceeds of $5,566,504 (US$5,000,000). Each unit is comprised of one common share and one-half of a transferrable share purchase warrant. Each share purchase warrant is exercisable at a price of US$2.87 per warrant into one-half of a common share until February 25, 2017. If the volume weighted average closing market price for the Company's common shares on the NYSE MKT is greater than USD$6.85 per share for a period of 20 consecutive trading days, then the Company may deliver a notice to the warrant holder notifying such holder that the warrants must be exercised within 30 days from the date of delivery of such notice, otherwise the warrants will expire on the thirty-first day after the date of delivery of the notice.

Of the $5,566,504 total aggregate proceeds raised in this financing, the $1,295,647 fair value of the warrants was attributed to warrant liability (Note 14) and the residual amount of $4,270,857 was attributed to common shares.

The Company incurred finance costs of $129,953 (recorded as a charge in the statement of operations) with respect to the issuance of warrants in this private placement and share issuance costs of $426,661 (recorded as a charge to share capital) with respect to the shares issued in this private placement.

(iv) During the year ended December 31, 2014, the Company issued 266,457 common shares upon the exercise of stock options for gross proceeds of $307,937.

(c) Warrants:

During the year ended December 31, 2014 there were no warrants exercised, and there were 1,033,059 warrants issued as summarized in Note 14.

(d) 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%), and to persons providing investor relations or consulting services (up to a limit of 2%), 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.

(Expressed in Canadian dollars)

16. SHARE CAPITAL (continued)

(d) Stock options (continued)

Continuity of stock options for the years ended December 31, 2014 and 2013 is as follows:

	Underlying Shares	Weighted Average Exercise Price
Stock options outstanding and exercisable, December 31, 2012	2,480,000	$1.81
Granted	650,000	$1.61
Forfeited	(55,000)	$1.71
Expired	(70,625)	$1.60
Exercised	(361,418)	$0.82
Stock options outstanding and exercisable, December 31, 2013	2,642,957	$1.16
Granted	1,035,000	$1.90
Forfeited	(50,000)	$1.15
Exercised	(266,457)	$1.16
Stock options outstanding and exercisable, December 31, 2014	3,361,500	$1.39

As at December 31, 2014, the weighted average remaining contractual life of stock options outstanding was 2.44 years.

Details of stock options outstanding and exercisable are as follows:

		Stock Options Outstanding	
Expiry Date	Exercise Price	December 31, 2014	December 31, 2013
January 14, 2015	$0.81	45,000	60,000
September 10, 2015	$1.05	225,000	268,357
January 18, 2016	$1.02	806,500	924,600
September 30, 2016	$1.02	695,000	760,000
February 18, 2018	$1.60	195,000	230,000
September 9, 2018	$1.62	360,000	400,000
September 19, 2019	$1.90	855,000	-
December 22, 2019	$1.90	180,000	-
		3,361,500	2,642,957

(Expressed in Canadian dollars)

16. SHARE CAPITAL (continued)

(e) Earnings per share:

The calculations for earnings (loss) per share and diluted earnings per share are as follows:

	2014	2013	2012
Net income for the year	$ 2,514,169	$ 848,212	$ (1,263,178)
Basic weighted average number of shares outstanding	32,333,224	27,405,179	27,072,053
Effect of dilutive share options	940,516	296,224	-
Diluted weighted average number of shares outstanding	33,273,740	27,701,403	27,072,053
Basic earnings (loss) per share	$ 0.08	$ 0.03	$ (0.05)
Diluted earnings (loss) per share	$ 0.08	$ 0.03	$ (0.05)

17. SHARE-BASED PAYMENTS

During the year ended December 31, 2014, the Company granted stock options to directors, officers, employees, directors, and consultants of the Company to purchase up to a total of 1,035,000 common shares at a weighted average exercise price of $1.90 per share pursuant to the Company's stock option plan. The options vest on dates ranging from the grant date to September 19, 2015. 855,000 and 180,000 options are exercisable on or before September 19, 2019 and December 22, 2019 respectively. The Company recorded $1,044,282 as share-based compensation for the options vested during the period.

During the year ended December 31, 2013, the Company granted stock options to directors, officers, employees, directors, and consultants of the Company to purchase up to a total of 650,000 common shares at a weighted average exercise price of $1.61 per share pursuant to the Company's stock option plan. The options vest on dates ranging from the grant date to September 9, 2014. The options are exercisable on or before September 9, 2018. The Company recorded $647,762 as share-based compensation for the options vested during the period.

During the year ended December 31, 2013, the Company re-priced 1,725,000 previously granted incentive stock options to directors, officers, employees, and consultants to a price of $1.02 per share. The incentive stock options had originally been granted at prices of $2.30 and $2.00 per share. The incremental fair value of the re-priced options of $260,600 was charged to share-based compensation.

During the year ended December 31, 2012, the Company granted stock options to consultants to purchase up to a total of 30,000 common shares at a weighted average exercise price of $2.00 per share pursuant to the Company's stock option plan.

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.

(Expressed in Canadian dollars)

17. SHARE-BASED PAYMENTS (continued)

The fair value of the options re-priced and granted to directors, officers, employees, and consultants was calculated using the Black-Scholes model with the following weighted average assumptions and resulting grant date fair value:

	2014	2013	2012
Weighted average assumptions:			
Risk-free interest rate	1.51%	1.45%	1.06%
Expected dividend yield	0%	0%	0%
Expected option life (years)	5.00	3.45	0.42
Expected stock price volatility	67.25%	68.29%	50.89%
Weighted average fair value at grant date	$0.87	$0.55	$0.13

During the year ended December 31, 2014, the Company charged $982,782 (2013 - $908,362; 2012 - $18,408) to operations as share-based payment and capitalized $61,500 (2013 - $Nil) to exploration and evaluation assets.

18. REVENUE AND COST OF SALES

Revenue and the related cost of sales reflect the sale of silver and gold concentrate from the San Gonzalo mine and the historic Avino stockpiles during the year ended December 31, 2014 and December 31, 2013 and for the San Gonzalo mine for the three months ended December 31, 2012.

Cost of sales consists of changes in inventories, direct costs including personnel costs, general and administrative costs, energy costs (principally diesel fuel and electricity), maintenance and repair costs, operating supplies, external services, third party smelting, refining and transport fees, and depreciation related to sales and other expenses for the periods. Direct costs include the costs of extracting co-products. Cost of sales is based on the weighted average cost of contained or recoverable ounces sold for the periods and consists of the following:

	2014	2013	2012
Direct costs	$ 10,074,610	$ 8,019,083	$ 1,246,309
Depreciation and depletion	1,259,394	949,326	188,260
Share-based payments	59,400	-	-
	$ 11,393,404	$ 8,968,409	$ 1,434,569

19. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2014	2013	2012
Depreciation	$ 18,358	$ 687	$ 6,193
Directors fees	81,134	155,000	22,500
Interest expense	124,138	52,753	-
Investor relations	239,538	194,955	247,044
Management and consulting fees	606,941	390,510	224,532
Office and miscellaneous	275,128	722,816	434,011
Professional fees	389,681	311,193	205,578
Regulatory and compliance fees	126,713	140,629	75,738
Sales tax write-down provision	-	-	(47,409)
Salaries and benefits	1,148,450	1,204,666	561,398
Travel and promotion	210,053	165,860	181,753
	$ 3,220,134	$ 3,339,069	$ 1,911,338

(Expressed in Canadian dollars)

20. 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, 2014, 2013, and 2012 were as follows:

	2014	2013	2012
Salaries, benefits, and consulting fees	$ 957,900	$ 779,571	$ 243,011
Share-based payments	645,750	420,450	-
	$ 1,603,650	$ 1,200,021	$ 243,011

(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 $121,639 (December 31, 2013 - $115,507) 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, 2014 and 2013, the following amounts were due to related parties:

	December 31, 2014	December 31, 2013
Directors	$ 19,259	$ 11,870
Intermark Capital Corp.	21,875	-
Jasman Yee & Associates, Inc.	4,032	5,040
Oniva International Services Corp.	171,650	135,458
Sampson Engineering Inc.	-	1,840
Wear Wolfin Design Ltd.	5,250	2,625
	$ 222,066	$ 156,833

(c) Other related party transactions

The Company has entered into 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, 2014, 2013, and 2012 are summarized below:

	2014	2013	2012
Salaries and benefits	$ 316,281	$ 309,816	$ 179,555
Office and miscellaneous	428,019	292,008	276,201
	$ 744,300	$ 601,824	$ 455,756

Salaries and benefits above includes $48,424 for key management personnel compensation that has been included in Note 20(a).

(Expressed in Canadian dollars)

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) *Other related party transactions (continued)*

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, 2014, 2013 and 2012, the Company paid $433,333, $300,000, and $150,000 respectively to ICC.

The Company pays Jasman Yee & Associates, Inc. ("JYAI"), a company whose managing director is Jasman Yee, for operational, managerial, metallurgical, engineering and consulting services related to the Company's activities. For the years ended December 31, 2014, 2013, and 2012, the Company paid $74,160, $75,014, and $63,938 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, 2014, 2013 and 2012, the Company paid $30,000, $30,000, and $30,000 respectively to WWD.

21. FINANCE LEASE OBLIGATIONS

The Company has entered into mining equipment leases expiring between 2015 and 2020 with interest rates ranging from 4.50% to 13.90% 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. Plant and equipment includes a net carrying amount of $5,322,510 (2013 - $2,714,933) 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, 2014	December 31, 2013
Not later than one year	$ 1,362,766	$ 643,312
Later than one year and not later than five years	2,216,930	1,146,189
Less: Future interest charges	(280,360)	(112,679)
Present value of minimum lease payments	3,299,336	1,676,822
Less: Current portion	(1,292,326)	(585,845)
Non-current portion	$ 2,007,010	$ 1,090,977

The Company has a $US5,375,400 master credit facility with Caterpillar Finance that is used to acquire equipment necessary for advancing operations at the San Gonzalo Mine and for continuing exploration activity at the Avino Mine. As of December 31, 2014, the Company had $US2,586,974 in available credit remaining under this facility.

(Expressed in Canadian dollars)

22. SUPPLEMENTARY CASH FLOW INFORMATION

	2014	2013	2012
Net change in non-cash working capital items:			
Accounts payable and accrued liabilities	$ 1,943,542	$ 265,200	$ 822,691
Taxes payable	950,563	42,547	-
Amounts due to related parties	125,308	(17,881)	(29,049)
Inventory	(1,949,673)	371,372	(2,225,840)
Sales taxes recoverable	(1,308,973)	(110,923)	79,282
Amounts receivable	(1,123,799)	(1,176,017)	674,824
Prepaid expenses and other assets	(98,633)	(587,682)	(40,020)
	$ (1,461,655)	$ (1,213,384)	$ (718,112)

	2014	2013	2012
Interest paid	$ 90,669	$ 28,433	$ 1,471
Taxes paid	$ 172,076	$ -	$ -

23. 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 20.

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, 2014	December 31, 2013
Not later than one year	$ 301,121	$ 254,017
Later than one year and not later than five years	134,291	364,827
Later than five years	56,235	69,499
	$ 491,647	$ 688,343

Office lease payments recognized as an expense during the year ended December 31, 2014 totalled $90,883 (2013 - $63,126; 2012 - $44,850).

24. FINANCIAL INSTRUMENTS

The fair values of the Company's cash and cash equivalents, amounts receivable, amounts due to related party, and accounts payable approximate their carrying values because of the short-term nature of these instruments. The fair values of investments in related and other companies are based on quoted market prices.

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

24. FINANCIAL INSTRUMENTS (continued)

(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 and cash equivalents and amounts receivable.

The Company manages credit risk, in respect of cash and cash equivalents, by maintaining the majority of cash 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 (2013 – two) 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, 2014, 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 and cash equivalents at December 31, 2014 in the amount of $4,249,794 (2013 - $3,839,595) in order to meet short-term business requirements. At December 31, 2014, the Company had current liabilities of $6,476,148 (2013 - $2,196,172). 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 portion of finance lease obligations is 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.

(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 finance lease obligations bear interest at fixed rates.

24. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

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, 2014		December 31, 2013	
	MXN	USD	MXN	USD
Cash and cash equivalents	$ 2,532,442	$ 3,382,302	$ 6,166,837	$ 2,508,191
Amounts receivable	-	1,350,874	1,897,963	1,197,766
Accounts payable and accrued liabilities	(10,805,057)	(786,490)	(8,768,980)	(408,427)
Warrant liability	-	(206,611)	-	-
Finance lease obligations	(908,005)	(2,788,356)	-	(1,579,402)
Net exposure	(9,180,620)	951,719	(704,180)	1,718,128
Canadian dollar equivalent	$ (722,056)	$ 1,104,088	$ (57,172)	$ 1,827,401

Based on the net Canadian dollar denominated asset and liability exposures as at December 31, 2014, a 10% fluctuation in the Canadian/Mexican and Canadian/US exchange rates would impact the Company's earnings for the year ended December 31, 2014 by approximately $45,188 (2013 - $170,734). 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, 2014, based on outstanding accounts receivable that were subject to pricing adjustments, a 10% change in the market price of silver would have an impact on net earnings of approximately $489,808 (2013 - $383,094), and a 10% change in the market price of gold would have an impact on net earnings of approximately $210,058 (2013 - $125,612).

The Company is exposed to price risk with respect to its investments in related companies and its investments in other companies 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, 2014, a 10% change in market prices would have an impact on net earnings of approximately $5,389 (2013 - $14,904).

The Company's profitability and ability to raise capital to fund mineral resource exploration 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.

(Expressed in Canadian dollars)

24. FINANCIAL INSTRUMENTS (continued)

(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, 2014:

	Level 1	Level 2	Level 3
Financial Assets			
Cash and cash equivalents	$ 4,249,794	-	$ -
Investments in related companies	33,889	-	-
Investments in other companies	60,000	-	-
Financial Liabilities			
Warrant liability	-	-	(239,690)
	$ 4,343,683	-	$ (239,690)

25. 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 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.

(Expressed in Canadian dollars)

26. SEGMENTED INFORMATION

The Company's revenues of $19,297,953 (2013 - $16,094,701; 2012 - $2,255,376) are all attributable to Mexico where sales are recorded from shipments of concentrate produced by the San Gonzalo mine and the historic Avino stockpiles. For the year ended December 31, 2014, the Company had one customer that accounted for 80% (2013 – 88%; 2012 – 100%) of revenue and another customer that accounted for 20% (2013 – 12%; 2012 – 0%) of revenue.

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

		2014		2013
Exploration and evaluation assets - Mexico	$	19,281,859	$	15,686,172
Exploration and evaluation assets - Canada		10,627,361		4
Total exploration and evaluation assets	$	29,909,220	$	15,686,176

		2014		2013
Plant, equipment, and mining properties - Mexico	$	18,081,291	$	10,561,869
Plant, equipment, and mining properties - Canada		92,222		2,748
Total plant, equipment, and mining properties	$	18,173,513	$	10,564,617

27. INCOME TAXES

a) Income tax expense

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

	2014	2013
Current income tax expense	$ 1,820,970	$ 42,547
Deferred income tax expense	546,776	2,518,453
Total income tax expense	$ 2,367,746	$ 2,561,000

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

	2014	2013
Net income before income taxes	$ 4,881,915	$ 3,409,212
Combined statutory tax rate	26.00%	25.75%
Income tax expense at the Canadian statutory rate	1,269,298	877,873
Reconciling items:		
Effect of difference in Mexican tax rates	223,465	176,081
Non-deductible/non-taxable items	(20,595)	298,543
Change in enacted rates	-	71,526
Change in unrecognized benefit of tax losses	234,551	183,052
Impact of foreign exchange	622,253	-
Special mining duties	292,403	1,163,717
Benefit of tax attributes recognized and other items	(253,629)	(209,792)
Income tax expense recognized in the year	$ 2,367,746	$ 2,561,000

(Expressed in Canadian dollars)

27. INCOME TAXES (continued)

In December 2013, the Mexican President passed a bill that increases the effective tax rate applicable to the Company's Mexican operations. The law was effective January 1, 2014, and increases the future corporate income tax rate to 30%, creates a 10% withholding tax on dividends paid to non-resident shareholders (subject to any reduction by an income tax treaty) and creates a new extraordinary mining duty equal to 0.5% of gross revenues from the sale of gold, silver and platinum. In addition, the law requires taxpayers with mining concessions to pay a new 7.5% special mining duty. The extraordinary mining duty and special mining duty will be tax deductible for income tax purposes. The special mining duty will generally be applicable to earnings before income tax, depreciation, depletion, amortization and interest. In calculating the special mining duty, there will be no deductions related to expansion-type costs, but exploration and prospecting costs are deductible when incurred.

The Company recognized a non-cash expense of $385,057 for the year ended December 31, 2014 (2013 - $1,163,717; 2012 - $Nil) related to the deferred tax impact of the special mining duty.

b) Deferred income tax assets and liabilities

	2014	2013
Deferred income tax assets	$ 1,540,270	$ 2,111,963
Deferred income tax liabilities	(7,177,297)	(6,996,093)
	$ (5,637,027)	$ (4,884,130)

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

	2014	2013
Tax losses carried forward	$ -	$ 767,448
Reclamation provision	715,455	694,038
Inventory	(169,585)	-
Exploration and evaluation assets	(4,704,765)	(3,804,986)
Plant, equipment and mining properties	(2,302,947)	(3,191,107)
Other deductible temporary differences	824,815	650,477
Net deferred income tax liabilities	$ (5,637,027)	$ (4,884,130)

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:

	2014	2013
Tax losses carried forward	$ 23,213,826	$ 7,795,353
Property, plant and equipment	4,552,561	211,097
Investments	196,839	348,047
Resource pools	8,310,866	1,799,659
Other deductible temporary differences	2,229,401	1,523,271
Unrecognized deductible temporary differences	$ 38,503,493	$ 11,677,427

(Expressed in Canadian dollars)

27. INCOME TAXES (continued)

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 mineral properties, mine plant, and equipment which were acquired in the purchase of Avino Mexico. The carrying values of the Mexican mineral properties, mine plant, and equipment 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 and is presented net of Mexican tax losses carried forward, where applicable

The Company has capital losses of $1,472,210 carried forward and $23,213,826 in non-capital tax losses carried forward available to reduce future Canadian taxable income. The capital losses can be carried forward indefinitely unless used. The Company's Canadian non-capital tax losses, if unused, expire as follows:

Year of Expiry	Amount
2015	$ 1,574,315
2020	–
2021	–
2025	–
2026	2,115,697
2027	1,782,666
2028	2,782,017
2029	1,548,378
2030	1,831,957
2031	2,259,435
2032	4,804,428
2033	2,133,934
2034	2,380,999
	$ 23,213,826

As at December 31, 2014, the Company had no Mexican tax losses available to offset future Mexican taxable income.

28. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2014, the Company issued 13,500 common shares in an at-the-market offering under a prospectus supplement for net proceeds of $22,081 (US$20,577), and issued 106,000 common shares upon the exercise of stock options for gross proceeds of $108,120.