AVINO SILVER & GOLD MINES LTD.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

The condensed consolidated interim financial statements as at March 31, 2014 and for the periods ended March 31, 2014 and 2013 have not been audited by the Company’s independent auditors.

“David Wolfin”

David Wolfin
President & CEO
May 28, 2014

“Malcolm Davidson”

Malcolm Davidson, CA
Chief Financial Officer
May 28, 2014

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

	Note	March 31, 2014 (unaudited)	December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents		$ 15,199,333	$ 3,839,595
Interest receivable		3,821	6,040
Sales taxes recoverable		433,142	307,101
Accounts receivable		2,339,200	1,425,741
Prepaid expenses and other assets		779,676	713,967
Inventory	**3**	1,741,676	1,854,468
		20,496,848	8,146,912
Exploration and Evaluation Assets	**4**	16,213,411	15,686,176
Plant, Equipment and Mining Properties	**5**	11,495,483	10,564,617
Investments in Related Companies	**6**	89,698	94,040
Investments in Other Companies	**7**	57,500	55,000
Reclamation Bonds		5,500	5,500
		$ 48,358,440	$ 34,552,245
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,795,207	$ 1,410,947
Amounts due to related parties	**12**	164,030	156,833
Current portion of finance lease obligations	**13**	676,346	585,845
Taxes payable		304,198	42,547
		2,939,781	2,196,172
Warrant Liability	**8**	513,920	-
Finance Lease Obligations	**13**	987,179	1,090,977
Reclamation Provision	**9**	1,920,959	1,833,938
Deferred Tax Liabilities		5,701,584	4,884,130
Total liabilities		12,063,423	10,005,217
EQUITY			
Share Capital	**10**	52,785,130	42,784,832
Equity Reserves		9,982,108	10,150,849
Treasury Shares (14,180 shares, at cost)		(101,869)	(101,869)
Accumulated Other Comprehensive Income		777,496	215,680
Accumulated Deficit		(27,147,848)	(28,502,464)
Total Equity		36,295,017	24,547,028
		$ 48,358,440	$ 34,552,245

Commitments – Note 15
Subsequent Event – Note 17

Approved by the Board of Directors on May 28, 2014:

Gary Robertson Director *David Wolfin* Director

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

Condensed Consolidated Interim Statements of Operations and Comprehensive Income
(Expressed in Canadian dollars) (unaudited)

	Note	2014	2013
Revenue	**11**	$ 5,774,127	$ 3,490,004
Cost of Sales	**11**	(2,934,125)	(2,449,157)
Mine Operating Income		2,840,002	1,040,847
General and Administrative Expenses			
Depreciation		15,321	172
Directors' fees		20,000	95,000
Interest expense		9,005	1,045
Investor relations		45,920	80,431
Management and consulting fees		260,892	251,250
Office and miscellaneous		229,098	124,420
Professional fees		120,678	9,938
Regulatory and compliance fees		33,213	27,093
Salaries and benefits		530,847	221,118
Share-based payments	**10**	8,416	281,913
Travel and promotion		44,144	59,524
		1,317,534	1,151,904
Income (loss) before other items and income taxes		1,522,468	(111,057)
Other Items			
Foreign exchange gain (loss)		(71,121)	229,644
Interest and other income		5,469	12,987
Fair value adjustment on warrant liability	**8**	781,727	-
Unrealized loss on investments and other		(1,842)	(43,596)
Net income before income tax		2,236,701	87,978
Income taxes			
Current income tax expense		(152,669)	-
Deferred income tax expense		(739,716)	-
		(892,385)	-
Net Income		1,344,316	87,978
Other Comprehensive Income (Loss)			
Item that may be reclassified subsequently to income or loss:			
Currency translation differences of foreign operations		561,816	59,959
Comprehensive Income		$ 1,906,132	$ 147,937
Earnings per Share			
Basic		$ 0.05	$ 0.00
Diluted		$ 0.04	$ 0.00
Weighted Average Number of Common Shares Outstanding			
Basic		29,678,371	27,270,091
Diluted		30,739,038	27,270,091

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

AVINO SILVER & GOLD MINES LTD.
Condensed Consolidated Interim Statements of Changes in Equity
For the three months ended March 31, 2014 and 2013
(Expressed in Canadian dollars) (unaudited)

	Note	Number of Common Shares	Share Capital Amount	Equity Reserves	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity
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	**10**	306,518	243,750	-	-	-	-	243,750
Fair value of stock options exercised		-	299,770	(299,770)	-	-	-	-
Share-based payments		-	-	281,913	-	-	-	281,913
Options and warrants cancelled or expired		-	-	(110,200)	-	-	110,200	-
Net income for the period		-	-	-	-	-	87,978	87,978
Currency translation differences of foreign operations		-	-	-	-	59,959	-	59,959
Balance, March 31, 2013		**27,433,934**	**$ 42,631,623**	**$ 9,621,617**	**$ (101,869)**	**$ (270,252)**	**$ (29,260,141)**	**$ 22,620,978**
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	**10**	4,606,826	10,611,380	-	-	-	-	10,611,380
Less share issuance costs	**10**		(914,701)	-	-	-	-	(914,701)
Exercise of stock options	**10**	130,600	136,762	-	-	-	-	136,762
Fair value of stock options exercised		-	166,857	(166,857)	-	-	-	-
Share-based payments		-	-	8,416	-	-	-	8,416
Options and warrants cancelled or expired		-	-	(10,300)	-	-	10,300	-
Net income for the period		-	-	-	-	-	1,344,316	1,344,316
Currency translation differences of foreign operations		-	-	-	-	561,816	-	561,816
Balance, March 31, 2014		**32,226,260**	**$ 52,785,130**	**$ 9,982,108**	**$ (101,869)**	**$ 777,496**	**$ (27,147,848)**	**$ 36,295,017**

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

AVINO SILVER & GOLD MINES LTD.
For the three months ended March 31, 2014 and 2013
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars) (unaudited)

	Note	2014	2013
Cash Provided By (Used In):			
Operating Activities			
Net income		$ 1,344,316	$ 87,978
Adjustments for non-cash items:			
Depreciation, depletion, and accretion		318,786	243,878
Fair value adjustment for warrant liability		(781,727)	-
Share-based payments		8,416	281,913
Unrealized loss on investments and other		1,842	43,596
Management and directors' fees		-	180,000
Deferred income tax expense		739,716	-
		1,631,349	837,365
Net change in non-cash working capital	**14**	(337,090)	311,295
		1,294,259	1,148,660
Financing Activities			
Shares and units issued for cash, net of issuance costs		11,129,088	63,750
Finance lease payments		(85,782)	(40,036)
		11,043,306	23,714
Investing Activities			
Exploration and evaluation expenditures		(302,035)	(358,537)
Additions to plant, equipment and mining properties		(898,024)	(1,452,468)
		(1,200,059)	(1,811,005)
Change in cash and cash equivalents		11,137,506	(638,631)
Effect of exchange rate changes on cash and cash equivalents		222,232	219,389
Cash and Cash Equivalents, Beginning		3,839,595	4,035,985
Cash and Cash Equivalents, Ending		$ 15,199,333	$ 3,616,743

Cash and Cash Equivalents Consist of:

	2014	2013
Bank balances	$ 14,900,087	$ 1,730,943
Guaranteed investment certificates	299,246	1,885,800
	$ 15,199,333	$ 3,616,743

Supplementary cash flow information (Note 14)

The accompanying notes are an integral part of the condensed consolidated interim 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 and gold, and the acquisition, exploration, and development 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-V, 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

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company, except for the accounting policies which have changed as a result of the adoption of new and revised standards and interpretations which are effective January 1, 2014. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company's December 31, 2013 annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2014 had no significant impact on the Company's condensed consolidated interim financial statements for the periods presented:

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 March 31, 2014:

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) (unaudited)

2. BASIS OF PRESENTATION (continued)

Annual improvements

In December 2013, the IASB issued the Annual Improvements 2010-2012 and 2011-2013 cycles to make necessary but non-urgent amendments to existing standards. The amendments are effective for annual periods beginning on or after July 1, 2014; however, these amendments are not expected to have a significant impact on the Company's consolidated financial statements.

Basis of Consolidation

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

Subsidiary	Ownership Interest	Jurisdiction	Nature of Operations
Oniva Silver and Gold Mines S.A. de C.V.	100%	Mexico	Mexican operations and administration
Promotora Avino, S.A. de C.V. (“Promotora”)	79.09%	Mexico	Holding company
Compania 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 condensed consolidated interim financial statements.

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, interest receivable, sales taxes recoverable, accounts receivable, investments in related and other companies, reclamation bonds, accounts payable, amounts due to related parties, warrant liability, and finance lease obligations. At initial recognition management has classified financial assets and liabilities as follows:

The Company has classified its cash and cash equivalents, interest receivable, investments in related and other companies, and warrant liability as FVTPL. Sales taxes recoverable, accounts 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.

2. BASIS OF PRESENTATION (continued)

Financial Instruments (continued)

Subsequent to initial recognition, the 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.
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(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).

Subsequent to initial recognition, the 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 March 31, 2014, the Company classified share purchase warrants with an exercise price in U.S. dollars (see note 8) 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).

Significant Accounting Judgments and Estimates

The Company's management makes judgments in its process of applying the Company's accounting policies to the preparation of its unaudited condensed consolidated interim 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.

The critical judgments and estimates applied in the preparation of the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2014 are consistent with those applied and disclosed in note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2013.

(Expressed in Canadian dollars) (unaudited)

3. INVENTORY

		March 31, 2014		December 31, 2013
Concentrate inventory	$	215,448	$	448,019
Process material stockpiles		997,143		1,041,994
Materials and supplies		529,085		364,455
	$	1,741,676	$	1,854,468

The amount of inventory recognized as an expense for the three months ended March 31, 2014 totalled $2,934,125 (three months ended March 31, 2013 – $2,449,157), and includes production costs and depreciation and depletion directly attributable to the inventory production process.

(Expressed in Canadian dollars) (unaudited)

4. 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
Costs incurred during 2014:				
Drilling and exploration	286,951	-	-	286,951
Geological and related services	15,084	-	-	15,084
Depreciation of plant and equipment	48,285	-	-	48,285
Effect of movements in exchange rates	176,915	-	-	176,915
Balance, March 31, 2014	$ 16,213,407	$ 3	$ 1	$ 16,213,411

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 under leased concessions 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.

4. EXPLORATION AND EVALUATION ASSETS (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 Las Platosa properties

The Unification Las Platosa properties 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 commercial production from the property. In addition, after the development period, 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

The Company's mineral claims in British Columbia encompass three properties: Aumax, 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.

(Expressed in Canadian dollars) (unaudited)

5. 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	165,166	1,917	3,444	112,914	604,914	9,671	898,026
Effect of movements in exchange rates	120,007	1,613	4,106	165,789	122,420	18,274	432,209
Balance at March 31, 2014	3,718,201	49,671	125,007	5,021,431	4,229,413	550,724	13,694,447
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	112,711	1,667	4,609	185,019	24,708	7,748	336,462
Effect of movements in exchange rates	7,752	476	1,265	32,032	7,739	13,643	62,907
Balance at March 31, 2014	342,242	15,752	42,055	1,133,396	253,832	411,687	2,198,964
NET BOOK VALUE							
At March 31, 2014	**3,375,959**	**33,919**	**82,952**	**3,888,035**	**3,975,581**	**139,037**	**11,495,483**
At December 31, 2013	3,211,249	32,532	81,276	3,826,383	3,280,694	132,483	10,564,617

Mine machinery and transportation equipment includes $1,056,238 in construction in progress as at March 31, 2014 (December 31, 2013 - $456,414), on which no depreciation was charged in the periods then ended.

(Expressed in Canadian dollars) (unaudited)

6. INVESTMENTS IN RELATED COMPANIES

Investments in related companies comprise the following:

	Cost	Accumulated Unrealized Gains (Losses)	Fair Value March 31, 2014	Fair Value December 31, 2013
(a) Bralorne Gold Mines Ltd.	$ 205,848	$ (155,687)	$ 50,161	$ 57,327
(b) Levon Resources Ltd.	4,236	35,300	39,536	36,712
(c) Oniva International Services Corp.	1	-	1	1
	$ 210,085	$ (120,387)	$ 89,698	$ 94,040

During the three months ended March 31, 2014, the Company recorded a $4,342 unrealized loss (three months ended March 31, 2013 - $43,596 loss) on investments in related companies, representing the change in fair value during the periods.

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

The Company's investment in Bralorne consists of 179,149 common shares with a quoted market value of $50,161 as at March 31, 2014 (December 31, 2013 - $57,327). Bralorne is a public company with common directors.

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

The Company's investment in Levon consists of 141,200 common shares with a quoted market value of $39,536 as at March 31, 2014 (December 31, 2013 - $36,712). Levon is a public company with common directors.

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

The Company owns a 16.67% interest in Oniva, a private company with common management, which provides office and administration services to the Company. The remaining 83.33% is shared equally between five other companies that are related by some common directors and management. See note 15 for disclosure of the Company's commitments with Oniva.

7. 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 (Losses)	Fair Value March 31, 2014	Fair Value December 31, 2013
(a) Avaron Mining Corp.	$ 40,000	$ -	$ 40,000	$ 40,000
(b) Benz Capital Corp.	14,500	3,000	17,500	15,000
	$ 54,500	$ 3,000	$ 57,500	$ 55,000

7. 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 4 (c) from Avaron to Benz Capital 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 4 (c). 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.

8. 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 each period using the Black-Scholes model.

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

	March 31, 2014	December 31, 2013
Balance at beginning of period	$ -	$ -
Recognition upon issuance	1,295,647	-
Gain on subsequent re-measurement	(781,727)	-
Balance at end of period	$ 513,920	$ -

Continuity of derivative warrants during the periods 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, March 31, 2014	1,033,059	US$2.87

Derivative warrants outstanding and exercisable as at March 31, 2014 and December 31, 2013 are as follows:

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

As at March 31, 2014, the weighted average remaining contractual life of warrants outstanding was 2.90 years.

(Expressed in Canadian dollars) (unaudited)

8. 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:

	March 31, 2014	February 20, 2014 (Date of issuance)
Weighted average assumptions:		
Risk-free interest rate	1.24%	1.20%
Expected dividend yield	0%	0%
Expected option life (years)	2.90	3.00
Expected stock price volatility	70.81%	69.49%
Weighted average fair value	$0.50	$1.25

9. RECLAMATION PROVISION

Management's estimate of the reclamation provision at March 31, 2014 is a present value of $1,920,959 (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 occur in the years beginning in 2019 for San Gonzalo and in 2023 for the Avino Mine. The undiscounted value of the obligation is $2,405,543 (December 31, 2013 - $2,274,153).

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

	March 31, 2014	December 31, 2013
Balance at beginning of period	$ 1,833,938	$ 323,140
Unwinding of discount	31,037	21,596
Change in estimates	-	(28,648)
Change in foreign exchange rate	55,984	17,850
Initial recognition of provision for Avino Mine	-	1,500,000
Balance at end of period	$ 1,920,959	$ 1,833,938

10. SHARE CAPITAL

(a) Authorized: Unlimited common shares without par value

(b) Issued:

(i) On February 20, 2014, the Company closed a U.S. at-the-market ("ATM") 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 cash commission equal to 3% of the applicable gross proceeds from common shares sold to such investors of $190,216 (US$172,250) and incurred additional accounting, legal and regulatory costs of $167,871.

10. SHARE CAPITAL (continued)

(ii) 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 $5,566,503 (US$5,000,000). Each unit is comprised of one common share and one-half transferrable share purchase warrant. Each share purchase warrant is exercisable for a term of three years into one-half common share at a price of US$2.87 per 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 twenty 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 $5,566,503 total aggregate proceeds raised in this financing, the fair value of the warrants of $1,295,647 was attributed to warrant liability and the residual amount of $4,270,856 was attributed to common shares (note 8).

The Company incurred share issuance costs of $556,614 with respect to this private placement.

(iii) During the three months ended March 31, 2014, the Company issued 130,600 common shares upon the exercise of stock options for gross proceeds of $136,762.

(c) Warrants:

During the three months ended March 31, 2014 there were no warrants exercised, and there were 1,033,059 warrants issued as summarized in note 8.

(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 or consulting 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) (unaudited)

10. SHARE CAPITAL (continued)

(d) Stock options (continued)

Continuity of stock options for the three months ended March 31, 2014 and the year ended December 31, 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	-	-
Forfeited	(10,000)	$1.62
Expired	-	-
Exercised	(130,600)	$0.96
Stock options outstanding and exercisable, March 31, 2014	2,502,357	$1.16

As at March 31, 2014, the weighted average remaining contractual life of stock options outstanding was 2.56 years.

Details of stock options outstanding are as follows:

		Stock Options Outstanding	
Expiry Date	Exercise Price	March 31, 2014	December 31, 2013
January 14, 2015	$0.81	45,000	60,000
September 10, 2015	$1.05	238,357	268,357
January 18, 2016	$1.02	849,000	924,600
September 30, 2016	$1.02	760,000	760,000
February 18, 2018	$1.60	220,000	230,000
September 9, 2018	$1.62	390,000	400,000
		2,502,357	2,642,957

(Expressed in Canadian dollars) (unaudited)

10. SHARE CAPITAL (continued)

(e) Earnings per share:

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

	March 31, 2014	March 31, 2013
Net income for the period	$ 1,344,316	$ 87,978
Basic weighted average number of shares outstanding	29,678,371	27,270,091
Effect of dilutive share options	700,667	-
Diluted weighted average number of shares outstanding	30,379,038	27,270,091
Basic earnings per share	$ 0.05	$ 0.00
Diluted earnings per share	$ 0.04	$ 0.00

11. REVENUE AND COST OF SALES

Revenue and the related cost of sales reflect the sale of silver and gold concentrate that was produced at the San Gonzalo mine and the Avino stockpiles during the three months ended March 31, 2014 and March 31, 2013.

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. Cost of sales is based on the weighted average cost of contained or recoverable ounces sold for the periods. Direct costs include the costs of extracting co-products.

	March 31, 2014	March 31, 2013
Direct costs	$ 2,630,660	$ 2,205,451
Depreciation, depletion, and accretion	303,465	243,706
	$ 2,934,125	$ 2,449,157

12. RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Management transactions

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the three months ended March 31, 2014 and March 31, 2013 were as follows:

	March 31, 2014	March 31, 2013
Salaries, benefits, and consulting fees	$ 352,239	$ 341,282
Share-based payments	-	213,500
	$ 352,239	$ 554,782

(Expressed in Canadian dollars) (unaudited)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Amounts due to related parties

In the normal course of operations the Company transacts with companies related to Avino's directors or officers. All amounts payable are non-interest bearing, unsecured and due on demand. As at March 31, 2014 and December 31, 2013, the following amounts were due to related parties:

	March 31, 2014	December 31, 2013
Directors' fees	$ 13,877	$ 10,352
Oniva International Services Corp.	135,458	135,458
Sampson Engineering Inc.	3,061	1,840
Andrew Kaplan	5,586	1,518
Jasman Yee & Associates, Inc.	6,048	5,040
Wear Wolfin Design	-	2,625
	$ 164,030	$ 156,833

(c) Other related party transactions

The Company has a cost sharing agreement to reimburse Oniva International Services Corp. ("Oniva") for its expenses and to pay Oniva a percentage fee as described in note 15. The transactions with Oniva during the three months ended March 31, 2014 and March 31, 2013 are summarized below:

	March 31, 2014	March 31, 2013
Salaries and benefits	$ 98,994	$ 57,214
Office and miscellaneous	84,446	88,368
	$ 183,440	$ 145,582

In the normal course of operations, the company transacts with companies related to Avino's directors and officers. During the three months ended March 31, 2014, the company recorded consulting fees of $21,120 (March 31, 2013 - $21,219) from a company controlled by a director, and financial consulting fees of $7,500 (March 31, 2013 – $7,500) from a company related to a director.

13. FINANCE LEASE OBLIGATIONS

The Company has entered into mining equipment leases expiring between 2014 and 2018 with interest rates ranging from 1.75% to 4.95% 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 $2,654,120 (December 31, 2013 - $2,714,933) for this leased mining equipment.

	March 31, 2014	December 31, 2013
Not later than one year	$ 737,807	$ 643,312
Later than one year and not later than five years	1,027,824	1,146,189
Less: Future finance charges	(102,106)	(112,679)
Present value of minimum lease payments	1,663,525	1,676,822
Less: Current portion	(676,346)	(585,845)
Non-current portion	$ 987,179	$ 1,090,977

(Expressed in Canadian dollars) (unaudited)

13. FINANCE LEASE OBLIGATIONS (continued)

On December 20, 2012, the Company entered into a master credit facility of up to US$5 million with Caterpillar Finance in order to acquire equipment necessary for advancing operations at the San Gonzalo Mine and for continuing exploration activities at the Avino Mine. As of March 31, 2014, the Company had US$685,698 in available credit remaining under this facility.

14. SUPPLEMENTARY CASH FLOW INFORMATION

	March 31, 2014	March 31, 2013
Net change in non-cash working capital items:		
Interest receivable	$ 2,219	$ (5,138)
Sales taxes recoverable	(126,041)	(251,899)
Accounts receivable	(913,459)	(218,902)
Prepaid expenses	(65,709)	(53,195)
Inventory	112,792	724,823
Accounts payable and accrued liabilities	384,260	127,799
Taxes payable	261,651	-
Amounts due to related parties	7,197	(12,193)
	$ (337,090)	$ 311,295

	March 31, 2014	March 31, 2013
Interest paid	$ 9,005	$ 1,038
Taxes paid	$ -	$ -

15. COMMITMENTS

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

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:

	March 31, 2014	December 31, 2013
Not later than one year	$ 191,128	$ 254,017
Later than one year and not later than five years	366,790	364,827
Later than five years	72,478	69,499
	$ 630,396	$ 688,343

Office lease payments recognized as an expense during the three months ended March 31, 2014 totalled $22,283 (March 31, 2013 - $13,196)

15. COMMITMENTS (continued)

In February 2014, the Company entered into a purchase agreement to acquire processing equipment and related parts with a total value of $463,190 (€298,313). The Company paid a deposit of $87,106 (€56,100) and issued a letter of credit for the remaining balance of $376,084 (€242,213). The Company expects to receive the equipment in June 2014.

On March 28, 2014, the Company committed to enter into two new finance leases with Caterpillar Finance. The new equipment will be used for mining operations in Mexico. The leases are for a term of 36 months and bear interest at rate of 4.5% per annum. The Company's obligations under finance leases are secured by the lessor's title to the leased assets. The Company paid down payments of $324,792 (US$293,558) in April 2014, and will finance the balance of $1,299,169 (US$1,174,231) over the term of the lease.

16. FINANCIAL INSTRUMENTS

The fair values of the Company's cash and cash equivalents, interest receivable, sales taxes recoverable, accounts receivable, amounts due to related party, accounts payable, and income taxes 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.

(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, sales taxes recoverable, and accounts 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 one counterparty and all of its stockpile sales are with one other counterparty. 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 also has credit risk in respect of its sales taxes recoverable, which are due from the governments of Mexico and Canada. The balances are expected to be recoverable in full due to the Company's previous collection history and 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 March 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 March 31, 2014 in the amount of $15,199,333 (December 31, 2013 - $3,839,595) in order to meet short-term business requirements. At March 31, 2014, the Company had current liabilities of $2,939,781 (December 31, 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. Current income taxes are payable within 12 months.

16. FINANCIAL INSTRUMENTS (continued)

(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 risk as the Company's finance lease obligations bear interest at fixed rates.

Foreign Currency Risk

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

	March 31, 2014		December 31, 2013	
	MXN	USD	MXN	USD
Cash and cash equivalents	$ 13,825,428	$ 11,592,251	$ 6,166,837	$ 2,508,191
Sales taxes recoverable	4,861,299	-	3,599,484	-
Amounts receivable	77,098	2,110,061	1,897,963	1,197,766
Accounts payable and accrued liabilities	(16,866,234)	(400,969)	(10,149,263)	(408,427)
Finance lease obligations	-	(1,504,772)	-	(1,579,402)
Net exposure	1,897,591	11,796,571	1,515,021	1,718,128
Canadian dollar equivalent	$ 160,669	$ 13,041,109	$ 123,004	$ 1,827,401

Based on the net Canadian dollar denominated asset and liability exposures as at March 31, 2014, a 10% fluctuation in the Canadian/Mexican and Canadian/US exchange rates would impact the Company's earnings for the three months ended March 31, 2014 by approximately $1,352,385 (December 31, 2013 - $220,137). 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.

(Expressed in Canadian dollars) (unaudited)

16. FINANCIAL INSTRUMENTS (continued)

(c) Price Risk *(continued)*

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 March 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 $347,657 (December 31, 2013 - $383,094), and a 10% change in the market price of gold would have an impact on net earnings of approximately $130,949 (December 31, 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 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 March 31, 2014, a 10% change in market prices would have an impact on net earnings of approximately $10,720 (December 31, 2013 - $14,904).

The Company's 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.

(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 March 31, 2014:

	Level 1	Level 2	Level 3
Financial Assets			
Cash and cash equivalents	$ 15,199,333	-	-
Investments in related companies	89,698	-	-
Investments in other companies	57,500	-	-
Financial Liabilities			
Warrant liability	-	-	$ (513,920)
	$ 15,346,531	-	$ (513,920)

17. SUBSEQUENT EVENT

Subsequent to March 31, 2014, 15,500 stock options were exercised for gross proceeds of $15,810.