

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

or

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

For the fiscal year ended **December 31, 2013**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

or

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission File Number **001-35254**

AVINO SILVER & GOLD MINES LTD.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

British Columbia, Canada

(Jurisdiction of incorporation or organization)

570 Granville Street, Suite 900 Vancouver, British Columbia V6C 3P1, Canada

(Address of principal executive offices)

David Wolfen, 570 Granville Street, Suite 900 Vancouver, British Columbia V6C 3P1, Canada,
Tel: 604-682-3701, Email: dwolfen@avino.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Common Shares, without Par Value

Title of Each Class

NYSE MKT

Name of Each Exchange on Which Registered

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Not Applicable

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Not Applicable

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

There were 27,488,834 common shares, without par value, issued and outstanding as of December 31, 2013.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by
the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS.)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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INTRODUCTION

In this Annual Report on Form 20-F, which we refer to as the "Annual Report", except as otherwise indicated or as the context otherwise requires, the "Company", "we", "our" or "us" refers to Avino Silver & Gold Mines Ltd.

We were incorporated by Memorandum of Association under the laws of the Province of British Columbia on May 15, 1968, and on August 22, 1969, by virtue of an amalgamation with Ace Mining Company Ltd., became a public company whose common shares are registered under the United States Securities Exchange Act of 1934, as amended, and changed its name to Avino Mines & Resources Limited. On April 12, 1995, we changed our corporate name to International Avino Mines Ltd. and effected a reverse stock split of one common share for every five common shares outstanding. On August 29, 1997, we changed our corporate name to Avino Silver & Gold Mines Ltd. to better reflect our business of exploring for and mining silver and gold. Our principal executive office is located at Suite 900, 570 Granville Street, Vancouver, British Columbia V6C 3P1, Canada.

You should rely only on the information contained in this Annual Report. We have not authorized anyone to provide you with information that is different. The information in this Annual Report may only be accurate on the date of this Annual Report or on or as at any other date provided with respect to specific information.

CURRENCY

Unless we otherwise indicate in this Annual Report, all references to "Canadian Dollars", "CDN\$" or "\$" are to the lawful currency of Canada and all references to "U.S. Dollars" or "US\$" are to the lawful currency of the United States.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document, other than statements of historical fact, including, without limitation, those concerning the economic outlook for the silver mining industry, expectations regarding silver prices, production, cash costs and other operating results, growth prospects and outlook of the Company's operations, individually or in the aggregate, including the commencement of production at levels intended by management at certain of the Company's exploration and production projects, the Company's liquidity and capital resources and capital expenditure, and the outcome and consequences of any potential or pending litigation or regulatory proceedings, contain forward-looking statements regarding the Company's operations, economic performance and financial condition.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in these forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, amongst other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in silver prices and exchange rates, political changes in Mexico, competition for resource properties and infrastructure in the mineral exploration industry, the Company's ability to obtain additional financing, and business and operational risk management and other factors as determined in "Item 3.D: Risk Factors" and elsewhere in this annual report. These factors are not necessarily all of the important factors that could cause the Company's actual results to differ materially from those expressed in any forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results.

The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events, except as may be required by law. All subsequent written or oral forward-looking statements attributable to the Company or any person acting on its behalf are qualified by the cautionary statements herein.

CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATE OF MEASURED AND INDICATED MINERAL RESOURCES

In Canada, an issuer is required to provide technical information with respect to mineralization, including reserves and resources, if any, on its mineral exploration properties in accordance with Canadian requirements, which differ significantly from the requirements of the Securities and Exchange Commission (the "SEC") applicable to registration statements and reports filed by United States companies pursuant to the United States Securities Act of 1933, as amended (the "Securities Act"), or the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). As such, information contained in this annual report concerning descriptions of mineralization under Canadian standards may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the SEC. In particular, this annual report on Form 20-F includes the terms "mineral resource," "measured mineral resource," "indicated mineral resource" and "inferred mineral resource". Investors are advised that these terms are defined in and required to be disclosed under Canadian rules by National Instrument 43-101 ("NI 43-101"). **U.S. investors are cautioned not to assume that any part of the mineral deposits in these categories will ever be converted into reserves.** However, these terms are not defined terms under SEC Industry Guide 7 and are not permitted to be used in reports and registration statements filed with the SEC by U.S. domestic issuers. In addition, NI 43-101 permits disclosure of "contained ounces" of mineralization. In contrast, the SEC only permits issuers to report mineralization as in place tonnage and grade without reference to unit measures.

The definitions of proven and probable reserves used in NI 43-101 differ from the definitions in SEC Industry Guide 7. Under SEC Industry Guide 7 (under the Exchange Act), as interpreted by the staff of the SEC, mineralization may not be classified as a "reserve" for United States reporting purposes unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards.

United States investors are cautioned not to assume that any part or all of the mineral deposits identified as an "indicated mineral resource," "measured mineral resource" or "inferred mineral resource" will ever be converted to reserves as defined in NI 43-101 or SEC Industry Guide 7. Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities legislation, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, or economic studies. **U.S. investors are cautioned not to assume that part or all of an inferred mineral resource exists, or is economically or legally mineable.**

EXPLANATORY NOTE REGARDING PRESENTATION OF FINANCIAL INFORMATION

The annual audited consolidated financial statements contained in this annual report on Form 20-F are reported in Canadian dollars. For all periods up to and including the year ended December 31, 2010, we prepared our consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The annual audited consolidated financial statements for the year ended December 31, 2011 were our first annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and these financial statements included comparative figures for the year ended December 31, 2010 also prepared in accordance with IFRS.

GLOSSARY OF MINING TERMS

agglomeration	<i>Cementing crushed or ground rock particles together into larger pieces, usually to make them easier to handle; used frequently in heap-leaching operations.</i>
anomalous	<i>A value, or values, in which the amplitude is statistically between that of a low contrast anomaly and a high contrast anomaly in a given data set.</i>
anomaly	<i>Any concentration of metal noticeably above or below the average background concentration.</i>
assay	<i>An analysis to determine the presence, absence or quantity of one or more components.</i>
breccia	<i>A rock in which angular fragments are surrounded by a mass of finer-grained material.</i>
cretaceous	<i>The geologic period extending from 135 million to 65 million years ago.</i>
cubic meters or m³	<i>A metric measurement of volume, being a cube one meter in length on each side.</i>
cyanidation	<i>A method of extracting exposed silver or gold grains from crushed or ground ore by dissolving it in a weak cyanide solution.</i>
diamond drill	<i>A rotary type of rock drill that cuts a core of rock that is recovered in long cylindrical sections, two centimeters or more in diameter.</i>
fault	<i>A fracture in a rock where there has been displacement of the two sides.</i>
grade	<i>The concentration of each ore metal in a rock sample, usually given as weight percent. Where extremely low concentrations are involved, the concentration may be given in grams per tonne (g/t or gpt) or ounces per ton (oz/t). The grade of an ore deposit is calculated, often using sophisticated statistical procedures, as an average of the grades of a very large number of samples collected from throughout the deposit.</i>
hectare or ha	<i>An area totaling 10,000 square meters.</i>
highly anomalous	<i>An anomaly which is 50 to 100 times average background, i.e. it is statistically much greater in amplitude.</i>
induced polarization (IP)	<i>A method of ground geophysics surveying employing an electrical current to determine indications of mineralization.</i>
mineral reserve	<i>The economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of the reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral resources are sub-divided in order of increasing confidence into "probable" and "proven" mineral reserves. A probable mineral reserve has a lower level of confidence than a proven mineral reserve. The term "mineral reserve" does not necessarily signify that extraction facilities are in place or operative or that all governmental approvals have been received. It does signify that there are reasonable expectations of such approvals.</i>

mineral resource	<i>The estimated quantity and grade of mineralization that is of potential economic merit. A resource estimate does not require specific mining, metallurgical, environmental, price and cost data, but the nature and continuity of mineralization must be understood. Mineral resources are sub-divided in order of increasing geological confidence into “inferred”, “indicated”, and “measured” categories. An inferred mineral resource has a lower level of confidence than that applied to an indicated mineral resource. An indicated mineral resource has a higher level of confidence than an inferred mineral resource, but has a lower level of confidence than a measured mineral resource. A mineral resource is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth’s crust in such form and quantity and of such grade or quality that it has reasonable prospects for economic extraction.</i>
mineralization	<i>Usually implies minerals of value occurring in rocks.</i>
net smelter returns (NSR) royalty	<i>Payment of a percentage of net mining profits after deducting applicable smelter charges.</i>
oxide	<i>A compound of oxygen and some other element.</i>
ore	<i>A natural aggregate of one or more minerals which may be mined and sold at a profit, or from which some part may be profitably separated.</i>
prefeasibility study and preliminary feasibility study	<i>Each means a comprehensive study of the viability of a mineral project that has advanced to a stage where mining method, in the case of underground mining, or the pit configuration, in the case of open pit mining, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating and economic factors, and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve.</i>
probable mineral reserve	<i>The economically mineable part of an indicated, and in some circumstances, a measured mineral resource demonstrated by at least a prefeasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.</i>
proven mineral reserve	<i>The economically mineable part of a measured mineral resource demonstrated by at least a prefeasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified. The term should be restricted to that part of the deposit where production planning is taking place and for which any variation in the estimate would not significantly affect potential economic viability.</i>
quartz	<i>Silica or SiO₂, a common constituent of veins, especially those containing silver and gold mineralization.</i>
tailings	<i>Material rejected from a mill after most of the recoverable valuable minerals have been extracted.</i>
ton	<i>Imperial measurement of weight equivalent to 2,000 pounds.</i>
tonne	<i>Metric measurement of weight equivalent to 2,205 pounds (1,000 kg)</i>
tpd	<i>Tonnes per day.</i>
trench	<i>A long, narrow excavation dug through overburden, or blasted out of rock, to expose a vein or ore structure.</i>
veins	<i>The mineral deposits that are found filling openings in rocks created by faults or replacing rocks on either side of faults.</i>

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The selected historical consolidated financial information set forth below has been derived from our annual audited consolidated financial statements for each of the years in the five-year period ended December 31, 2013.

For the years ended December 31, 2013, 2012, 2011, and 2010 we have prepared our consolidated financial statements in accordance with IFRS, as issued by the IASB. Our December 31, 2010 consolidated financial statements were initially prepared in accordance with Canadian GAAP, consistent with the year ended December 31, 2009. We have adjusted our consolidated financial information at and for the year ended December 31, 2010, in accordance with IFRS 1, and therefore the financial information for the year ended December 31, 2010 set forth in this annual report on Form 20-F may differ from information previously published. We adopted IFRS with a transition date of January 1, 2010.

The selected historical consolidated financial information presented below is condensed and may not contain all of the information that you should consider. This selected financial data should be read in conjunction with our annual audited consolidated financial statements, the notes thereto and the section entitled "Item 5 — Operating and Financial Review and Prospects."

In accordance with IFRS

The tables below set forth selected consolidated financial data under IFRS for the years ended December 31, 2013, 2012, 2011, and 2010 and as at December 31, 2013, 2012, 2011 and 2010. The information has been derived from our annual audited consolidated financial statements set forth in "Item 17 — Financial Statements."

	Years Ended December 31,			
	2013	2012	2011	2010
Summary of Operations:				
Revenue	\$ 16,094,701	\$ 2,255,376	\$ -	\$ -
Cost of sales	8,968,409	1,434,569	-	-
Mine operating income	7,126,292	820,807	-	-
General and administrative expenses	4,247,431	1,929,746	4,042,647	1,110,643
Income (loss) before other items and income taxes	2,878,861	(1,108,939)	(4,042,647)	(1,110,643)
Net income (loss)	848,212	(1,263,178)	(4,184,351)	(790,840)
Earnings (Loss) per share				
Basic	\$ 0.03	\$ (0.05)	\$ (0.16)	\$ (0.04)
Diluted	\$ 0.03	\$ (0.05)	\$ (0.16)	\$ (0.04)
Weighted average number of shares outstanding				
Basic	27,405,179	27,072,053	26,795,632	21,059,008
Diluted	27,701,403	27,072,053	26,795,632	21,059,008

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<i>Balance Sheet Data:</i>				
<i>Total assets</i>	\$ 34,552,245	\$ 26,191,608	\$ 26,136,355	\$ 26,578,517
<i>Cash and cash equivalents</i>	3,839,595	4,035,985	5,282,464	9,051,848
<i>Total liabilities</i>	10,005,217	4,244,230	3,202,096	2,662,727
<i>Shareholders' equity</i>	24,547,028	21,947,378	22,934,259	23,915,790
<i>Share capital</i>	42,784,832	42,088,103	41,720,083	39,193,299
<i>Shares issued</i>	27,488,834	27,127,416	26,910,227	26,157,227

In accordance with Canadian GAAP

The table below for the year ended December 31, 2009 contains selected financial data prepared in accordance with Canadian GAAP, which has been derived from our previously audited consolidated financial statements for the year then ended. The financial data presented below for 2009 presented in accordance with Canadian GAAP and reconciled to United States GAAP, is not comparable to information prepared in accordance with IFRS.

	<u>Year Ended December 31, 2009</u>
<i>Canadian GAAP</i>	
<i>Summary of Operations:</i>	
<i>Revenue</i>	\$ -
<i>Interest income</i>	68,224
<i>Expenses</i>	
<i>Operating and administrative</i>	669,178
<i>Write-down of exploration and evaluation assets</i>	608,118
<i>Mineral property option revenue</i>	-
<i>Future income tax benefit</i>	239,562
<i>Net loss</i>	(987,759)
<i>Loss per share</i>	(0.05)
 <i>Weighted average number of shares outstanding</i>	 20,584,727
	 <u>As at December 31, 2009</u>
<i>Balance Sheet Data:</i>	
<i>Total assets</i>	\$ 19,206,278
<i>Cash and cash equivalents</i>	2,829,605
<i>Total liabilities</i>	2,241,179
<i>Shareholders' equity</i>	16,965,099

United States GAAP

	<u>Year Ended December 31, 2009</u>
Summary of Operations:	
<i>Net loss per Canadian GAAP</i>	(987,759)
<i>Adjustments</i>	(95,108)
<i>Net loss per US GAAP</i>	(1,082,867)
<i>Loss per share per US GAAP</i>	(0.05)
	<u>As at December 31, 2009</u>
Balance Sheet Data:	
<i>Total assets under Canadian GAAP</i>	19,206,278
<i>Adjustments</i>	(14,573,506)
<i>Total assets under US GAAP</i>	4,632,772
<i>Total equity under Canadian GAAP</i>	16,965,099
<i>Adjustments</i>	(12,879,499)
<i>Total equity under US GAAP</i>	4,085,600

Exchange Rates

The following table sets forth information as to the period end, average, the high and the low exchange rate for Canadian Dollars and U.S. Dollars for the periods indicated based on the noon buying rate in New York City for cable transfers in Canadian Dollars as certified for customs purposes by the Federal Reserve Bank of New York (Canadian dollar = US\$1).

<u>Fiscal Year Ended</u>	<u>Average</u>	<u>Period End</u>	<u>High</u>	<u>Low</u>
2009	1.1420	1.0466	1.3000	1.0292
2010	1.0299	0.9946	1.0778	0.9946
2011	0.9891	1.0170	1.0630	0.9383
2012	0.9996	0.9958	1.0299	0.9600
2013	1.0301	1.0636	1.0704	0.9838

The following table sets forth the high and low exchange rates for the past six months based on the noon buying rate. As of April 16, 2014, the exchange rate was CDN\$1.1028 for each US\$1.

<i>Month</i>	<i>High</i>	<i>Low</i>
<i>October 2013</i>	<i>1.048</i>	<i>1.029</i>
<i>November 2013</i>	<i>1.062</i>	<i>1.042</i>
<i>December 2013</i>	<i>1.07</i>	<i>1.059</i>
<i>January 2014</i>	<i>1.118</i>	<i>1.064</i>
<i>February 2014</i>	<i>1.114</i>	<i>1.095</i>
<i>March 2014</i>	<i>1.125</i>	<i>1.309</i>

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

In addition to the other information presented in this Annual Report, the following should be considered carefully in evaluating the Company and its business. This Annual Report contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed below and elsewhere in this Annual Report.

We will be required to raise additional capital to mine our properties.

The Company is currently focusing on further defining an effective plan to mine its San Gonzalo ore body. Although the Company is presently carrying on mining operations at the San Gonzalo mine, the Company will still be required to raise capital to further develop the San Gonzalo mine. Our ability to raise funds will depend on several factors, including, but not limited to, current economic conditions, our perceived value for our properties, our prospects, metal prices, businesses competing for financing and our financial condition. There can be no assurance that we will be able to raise funds, or to raise funds on commercially reasonable terms. Historically, the Company has raised funds through equity financing and the exercise of options and warrants. The raising of capital may have a dilutive effect on the Company's per share book value.

We have only recently become profitable and no assurances can be given we will continue to be profitable in the future.

We began production at the San Gonzalo mine during the fourth quarter of 2012, and for the year ended December 31, 2013, we earned net income of CDN\$848,212. Prior to the 2013 fiscal year, we had not been profitable. There is no assurance that our operations will continue to be profitable in the future.

As of December 31, 2013, our internal controls over financial reporting were ineffective, and if we continue to fail to improve such controls and procedures, investors could lose confidence in our financial and other reports, the price of our shares of common stock may decline, and we may be subject to increased risks and liabilities.

As a public company, we are subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act of 2002. The Exchange Act requires, among other things, that we file annual reports with respect to our business and financial condition. Section 404 of the Sarbanes-Oxley Act requires, among other things, that we include a report of our management on our internal control over financial reporting. We are also required to include certifications of our management regarding the effectiveness of our disclosure controls and procedures. For the year ended December 31, 2013, our management has concluded that our disclosure controls and procedures and internal control over financial reporting were ineffective due to the following material weaknesses: (i) inadequate segregation of duties and effective risk assessment; (ii) insufficient written policies and procedures for accounting, financial reporting and corporate governance; and (iii) insufficient disaster recovery plans. To remediate such weaknesses, we plan to implement the following changes: (i) address inadequate segregation of duties and ineffective risk management; (ii) adopt sufficient written policies and procedures for accounting, financial reporting and corporate governance; and (iii) implement a disaster recovery plan. If we cannot effectively and efficiently improve our controls and procedures, we could suffer material misstatements in our financial statements and other information we report and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial and other information. This could lead to a decline in the trading price of our common shares.

We have no proven or probable reserves and our decision to commence production at levels intended by management was not based on a study demonstrating economic recovery of any mineral reserves and is therefore inherently risky.

We have not established the presence of any proven or probable mineral reserves, as defined by the SEC, at any of our properties. Under Guide 7, the SEC has defined a "reserve" as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Any mineralized material discovered or produced by us should not be considered proven or probable reserves.

In order to demonstrate the existence of proven or probable reserves, it would be necessary for us to perform additional exploration to demonstrate the existence of sufficient mineralized material with satisfactory continuity and obtain a positive feasibility study which demonstrates with reasonable certainty that the deposit can be economically and legally extracted and produced. We have not completed a feasibility study with regard to all or a portion of any of our properties to date. Since we commenced production of mineralized material at levels intended by management of mineralized material at the San Gonzalo Mine without a feasibility study, there is inherent uncertainty as to whether the mineralized material can be economically produced or if so, for what period of time. The absence of proven or probable reserves makes it more likely that our properties may cease to be profitable and that the money we spend on exploration and development may never be recovered.

We decided to begin production at the San Gonzalo Mine without preparing a pre-feasibility study or bankable feasibility study which may subject us to more risks.

We decided to begin production at the San Gonzalo Mine without preparing a pre-feasibility study or bankable feasibility study which is a more common practice within the mining industry and therefore may subject us to more business risks. Our decision to begin production at the San Gonzalo Mine was based on limited prior historical information, bulk sample drilling programs, small pilot plant and bench scale testing. Therefore our decision to begin production at the San Gonzalo Mine was based on limited information which may or may not be representative of information regarding the mine had we otherwise prepared a more comprehensive study. In addition, basing our decision to begin production on limited information may make us susceptible to risks including:

- certain difficulties in obtaining expected metallurgical recoveries when scaling up to production scale from pilot plant scale;
- the preliminary nature of mine plans and processing concepts and applying them to full scale production;
- determining operating/capital costs estimates and possible variances associated with constructing, commissioning and operating the San Gonzalo facilities based on limited information;
- that metallurgical flow sheets and recoveries are in development and may not be representative of results of the San Gonzalo Mine; and
- that we may underestimate capital and operating costs without a comprehensive bankable feasibility study.

The mining industry is highly speculative and involves substantial risks.

Even when mining is conducted on properties known to contain significant quantities of mineral deposits it is generally accepted in the mining industry that most exploration projects do not result in the discovery of mineable deposits of ore that can be extracted in a commercially economic manner. There may be limited availability of water, which is essential to milling operations, and interruptions may be caused by adverse weather conditions. Operations are subject to a variety of existing laws and regulations relating to exploration and development, permitting procedures, safety precautions, property reclamation, employee health and safety, air quality standards, pollution and other environmental protection controls. Mining activities are subject to substantial operating hazards, some of which are not insurable or may not be insured for economic reasons.

The commercial quantities of ore cannot be accurately predicted.

Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as minerals prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in a mineral deposit being unprofitable.

There are no assurances that we can produce minerals on a commercially viable basis.

The Company's ability to generate revenue and profit is expected to occur through exploration of its existing properties as well as through acquisitions of interests in new properties. Substantial expenditures will be incurred in an attempt to establish the economic feasibility of mining operations by identifying mineral deposits and establishing ore reserves through drilling and other techniques, developing metallurgical processes to extract metals from ore, designing facilities and planning mining operations. The economic feasibility of a project depends on numerous factors, including the cost of mining and production facilities required to extract the desired minerals, the total mineral deposits that can be mined using a given facility, the proximity of the mineral deposits to refining facilities, and the market price of the minerals at the time of sale. There is no assurance that existing or future exploration programs or acquisitions will result in the identification of deposits that can be mined profitably.

Mining operations and exploration activities are subject to various federal, provincial and local laws and regulations.

Laws and regulations govern the development, mining, production, importing and exporting of minerals, taxes, labour standards, occupational health, waste disposal, protection of the environment, mine safety, toxic substances, and other matters. In many cases, licenses and permits are required to conduct mining operations. Amendments to current laws and regulations governing operations and activities of mining companies or more stringent implementation thereof could have a substantial adverse impact on the Company. Applicable laws and regulations will require the Company to make certain capital and operating expenditures to initiate new operations. Under certain circumstances, the Company may be required to close an operation once it is started until a particular problem is remedied or to undertake other remedial actions.

Operating hazards and risks.

The operation and development of a mine or mineral property involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include:

- environmental hazards;
- industrial accidents and explosions;
- the encountering of unusual or unexpected geological formations;
- ground fall and cave-ins;
- flooding;
- earthquakes; and
- periodic interruptions due to inclement or hazardous weather conditions.

These occurrences could result in environmental damage and liabilities, work stoppages and delayed production, increased production costs, damage to, or destruction of, exploration and evaluation assets or production facilities, personal injury or death, asset write downs, monetary losses and other liabilities. Liabilities that the Company incurs may exceed the policy limits of its insurance coverage or may not be insurable, in which event the Company could incur significant costs that could adversely impact its business, operations or profitability.

Metals market prices are highly speculative and volatile.

The market price for metals is highly speculative and volatile. Instability and a potential decrease in metal prices such as silver will adversely our revenues, the operation of our mining properties and the further development of and production from such properties.

We may be exposed to liabilities under the Foreign Corrupt Practices Act and any determination that we violated these laws could have a material adverse effect on our business.

We are subject to the Foreign Corrupt Practices Act (the "FCPA") and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute, for the purpose of obtaining or retaining business. It is our policy to implement safeguards to discourage these practices by our employees; however, our existing safeguards and any future improvements may prove to be less than effective and our employees, consultants, sales agents or distributors may engage in conduct for which we might be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

The validity of the title to our mining properties may be challenged.

The validity of mining or exploration titles or claims or rights, which constitute most of our property holdings, can be uncertain and may be contested. We have used our reasonable commercial efforts to investigate title or claims to our various properties, however, no assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining titles or claims and that such exploration and mining titles or claims will not be challenged or impugned by third parties. We operate in countries with developing mining laws and changes in such laws could materially impact our rights to our various properties or interests therein.

Although we have obtained title opinions for our material properties, there is no guarantee that title to such properties will not be challenged or impugned. Our properties may be subject to prior unregistered liens, agreements or transfers, native land claims or undetected title defects.

In Mexico legal rights applicable to mining concessions are different and separate from legal rights applicable to surface lands; accordingly, title holders of mining concessions must agree with surface land owners on compensation in respect of mining activities conducted on such land.

We do not intend to pay any cash dividends in the foreseeable future and, therefore, any return on your investment in our common shares must come from increases in the fair market value and trading price of our common shares.

We do not intend to pay any cash dividends in the foreseeable future and, therefore, any return on your investment in our common shares must come from increases in the fair market value and trading price of our common shares.

Certain provisions of organizational documents may discourage takeovers and business combinations that our shareholders may consider in their best interests, which could negatively affect our stock price.

Certain provisions of our Articles of Incorporation ("Articles") may have the effect of delaying or preventing a change in control of our Company or deterring tender offers for our common shares that other shareholders may consider in their best interests. In addition, our board of directors has adopted a shareholder rights plan, or "poison pill," which has the effect of making it more difficult for a person to acquire control of our company in a transaction which is not a "Permitted Bid" (as defined therein), or not approved by our board of directors.

Our Articles authorize us to issue an unlimited number of common shares. Shareholder approval is not necessary to issue our common shares. Issuance of these common shares could have the effect of making it more difficult and more expensive for a person or group to acquire control of us, and could effectively be used as an anti-takeover device.

Our Articles provide for an advance notice procedure for shareholders to nominate director candidates for election or to bring business before an annual meeting of shareholders, including proposed nominations of persons for election to our board of directors, and require that special meetings of shareholders be called by the board or shareholders who hold at least 5% of the total issued and outstanding shares.

Competition for mineral land.

There is a limited supply of desirable mineral lands available for acquisition, claim staking or leasing in the areas where the Company contemplates expanding its operations and conducting exploration activities. Many participants are engaged in the mining business, including large, established mining companies. Accordingly, there can be no assurance that the Company will be able to compete successfully for new mining properties.

Uncertainty of exploration and development programs.

The Company's profitability is significantly affected by the costs and results of its exploration and development programs. As mines have limited lives, the Company actively seeks to expand its mineral resources, primarily through exploration, development and strategic acquisitions. Exploration for minerals is highly speculative in nature, involves many risks and is frequently unsuccessful. Among the many uncertainties inherent in any silver and gold exploration and development program are the location of economic ore bodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities. Assuming the discovery of an economic deposit, depending on the type of mining operation involved, several years may elapse from the initial phases of drilling until commercial operations are commenced and, during such time, the economic feasibility of production may change. Accordingly, the Company's exploration and development programs may not result in any new economically viable mining operations or yield new mineral resources to expand current mineral resources.

Licenses and permits.

The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations and believes that it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits as are required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.

Political or economic instability or unexpected regulatory change.

Certain of our properties are located in countries, provinces and states more likely to be subject to political and economic instability, or unexpected legislative change, than is usually the case in certain other countries, provinces and states. Our mineral exploration activities could be adversely effected by:

- political instability and violence;
- war and civil disturbances;
- expropriation or nationalization;
- changing fiscal regimes;
- fluctuations in currency exchange rates;
- high rates of inflation;
- underdeveloped industrial and economic infrastructure;
- changes in the regulatory environment governing exploration and evaluation assets ; and
- unenforceability of contractual rights,

any of which may adversely affect our business in that country.

We may be adversely affected by fluctuations in foreign exchange rates.

We maintain our bank accounts mainly in Canadian and U.S. Dollars. Any appreciation in the currency of Mexico or other countries where we may carry out exploration activities against the Canadian or U.S. Dollar will increase our costs of carrying out operations in such countries. In addition, any decrease in the U.S. Dollar against the Canadian Dollar will result in a loss on our financial statements to the extent we hold funds in U.S. Dollars.

Land reclamation requirements.

Although variable depending on location and the governing authority, land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize the long term effects of land disturbance. Reclamation may include requirements to control dispersion of potentially deleterious effluents and reasonably re-establish pre-disturbance land forms and vegetation. In order to carry out reclamation obligations imposed on us in connection with our mineral exploration we must allocate financial resources that might otherwise be spent on further exploration programs.

Acquisitions the Company may undertake may change our business or expose us to risks.

The Company undertakes evaluations of opportunities to acquire additional silver and gold mining properties. Any resultant acquisitions may be significant in size, may change the scale of the Company's business, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, acquire them on acceptable terms, and integrate their operations successfully. Any acquisitions would be accompanied by risks, such as a significant decline in the price of silver or gold, the ore body proving to be below expectations, the difficulty of assimilating the operations and personnel of any acquired companies, the potential disruption of the Company's ongoing business, the inability of management to maximize the financial and strategic position of the Company through the successful integration of acquired assets and businesses, the maintenance of uniform standards, controls, procedures and policies, the impairment of relationships with customers and contractors as a result of any integration of new management personnel and the potential unknown liabilities associated with acquired mining properties. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Conflicts of interest.

Certain directors and officers of the Company are officers and/or directors of, or are associated with, other natural resource companies that acquire interests in exploration and evaluation assets. Such associations may give rise to conflicts of interest from time to time. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

Dependence on management.

We are dependent on the services of key executives including our President and Chief Executive Officer and other highly skilled and experienced executives and personnel focused on advancing our corporate objectives as well as the identification of new opportunities for growth and funding. Due to our relatively small size, the loss of these persons or our inability to attract and retain additional highly skilled employees required for our activities may have a material adverse effect on our business and financial condition.

Competition for recruitment and retention of qualified personnel.

We compete with other exploration companies, many of which have greater financial resources than us or are further in their development, for the recruitment and retention of qualified employees and other personnel. Competition for exploration resources at all levels is highly cyclical and can quickly become very intense, particularly affecting the availability of manpower, drill rigs and supplies. If we require and are unsuccessful in acquiring additional personnel or other exploration resources, we will not be able to grow at the rate we desire or at all.

Limited and volatile trading volume.

Although the Company's common shares are listed on the NYSE MKT, the TSX Venture Exchange, referred to as the "TSX-V", the Frankfurt Stock Exchange, referred to as the "FSE", and the Berlin Stock Exchange, the volume of trading has been limited and volatile in the past and is likely to continue to be so in the future, reducing the liquidity of an investment in the Company's common shares and making it difficult for investors to readily sell their common shares in the open market. Without a liquid market for the Company's common shares, investors may be unable to sell their shares at favorable times and prices and may be required to hold their shares in declining markets or to sell them at unfavorable prices.

Volatility of share price.

In recent years, securities markets in general have experienced a high level of price volatility. The market price of many resource companies, particularly those, like the Company, that are considered speculative exploration companies, have experienced wide fluctuations in price, resulting in substantial losses to investors who have sold their shares at a low price point. These fluctuations are based only in part on the level of progress of exploration, and can reflect general economic and market trends, world events or investor sentiment, and may sometimes bear no apparent relation to any objective factors or criteria. Significant fluctuation in the Company's common share price is likely to continue.

Difficulty for United States investors to effect services of process against the Company.

The Company is incorporated under the laws of the Province of British Columbia, Canada. Consequently, it will be difficult for United States investors to affect service of process in the United States upon the directors or officers of the Company, or to realize in the United States upon judgments of United States courts predicated upon civil liabilities under the Exchange Act. The majority of the Company's directors and officers are residents of Canada and all of the Company's assets are located outside of the United States. A judgment of a United States court predicated solely upon such civil liabilities would probably be enforceable in Canada by a Canadian court if the United States court in which the judgment was obtained had jurisdiction, as determined by the Canadian court, in the matter. There is substantial doubt whether an original action could be brought successfully in Canada against any of such persons or the Company predicated solely upon such civil liabilities.

Item 4. Information on the Company

Cautionary Note to United States Investors

In Canada, an issuer is required to provide technical information with respect to mineralization, including reserves and resources, if any, on its mineral exploration properties in accordance with Canadian requirements, which differ significantly from the requirements of the SEC applicable to registration statements and reports filed by United States companies pursuant to the Securities Act, or the Exchange Act. As such, information contained in this annual report concerning descriptions of mineralization under Canadian standards may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the SEC. In particular, this annual report on Form 20-F includes the terms "mineral resource," "measured mineral resource," "indicated mineral resource" and "inferred mineral resource". Investors are advised that these terms are defined in and required to be disclosed under Canadian rules by National Instrument 43-101 ("NI 43-101"). **U.S. Investors are cautioned not to assume that any part of the mineral deposits in these categories will ever be converted into reserves.** However, these terms are not defined terms under SEC Industry Guide 7 and are not recognized in reports and registration statements filed with the SEC by U.S. domestic issuers. In addition, NI 43-101 permits disclosure of "contained ounces" of mineralization. In contrast, the SEC only permits issuers to report mineralization as in place tonnage and grade without reference to unit measures.

The definitions of proven and probable reserves used in NI 43-101 differ from the definitions in SEC Industry Guide 7. Under SEC Industry Guide 7 (under the Exchange Act), as interpreted by the staff of the SEC, mineralization may not be classified as a "reserve" for United States reporting purposes unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards.

United States investors are cautioned not to assume that any part or all of the mineral deposits identified as an "indicated mineral resource," "measured mineral resource" or "inferred mineral resource" will ever be converted to reserves as defined in NI 43-101 or SEC Industry Guide 7. Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities legislation, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, or economic studies. **U.S. investors are cautioned not to assume that part or all of an inferred mineral resource exists, or is economically or legally mineable.**

A. History and Development of the Company

The Company was incorporated by Memorandum of Association under the laws of the Province of British Columbia on May 15, 1968, and on August 22, 1969, by virtue of an amalgamation with Ace Mining Company Ltd., became a public company whose common shares are registered under the Exchange Act, changing its name to Avino Mines & Resources Limited. On April 12, 1995, the Company changed its corporate name to International Avino Mines Ltd. and effected a reverse stock split of one common share for every five common shares outstanding. On August 29, 1997, the Company changed its corporate name to Avino Silver & Gold Mines Ltd., its current name, to better reflect the business of the Company of exploring for and mining silver and gold. In January 2008, the Company announced the change of its financial year end from January 31 to December 31. The change was completed in order to align the Company's financial statement reporting requirements with its Mexico subsidiaries which operate on a calendar fiscal year.

The Company is a reporting issuer in the Province of British Columbia and Alberta, a foreign private issuer with the SEC and is listed on the TSX Venture Exchange (Tier 1 status) under the symbol "ASM", on the NYSE-MKT under the symbol "ASM", and on the Berlin and Frankfurt Stock Exchanges under the symbol "GV6". In September, 2013, the Company's listing on the TSX Venture Exchange was reclassified from Tier 2 to Tier 1 status. The principal executive office of the Company is located at Suite 900, 570 Granville Street, Vancouver, British Columbia V6C 3P1, and its telephone number is 604-682-3701.

The Company is a natural resource company, primarily engaged in the production and sale of silver and gold, and the acquisition, exploration and development of natural resource properties. The Company's principal business activities have been the production and sale of silver and gold at the San Gonzalo mine, and the exploration of its other mineral properties located in the State of Durango, Mexico. The Company also owns other exploration and evaluation assets in British Columbia and the Yukon Territory, Canada.

Significant Acquisitions and Significant Dispositions

On July 17, 2006, the Company completed the acquisition of Compañía Minera Mexicana de Avino, S.A. de C.V. ("Avino Mexico"), a Mexican corporation, through the acquisition of an additional 39.25% interest in Avino Mexico which combined with the Company's pre-existing 49% share of Avino Mexico, brought the Company's ownership interest in Avino Mexico to 88.25%. The additional 39.25% interest in Avino Mexico was obtained through the acquisition of 79.09% of the common shares of Promotora Avino S.A. De C.V., referred to as "Promotora", which in turn owns 49.75% of Avino Mexico's common shares, and the direct acquisition of 1% of the common shares of Avino Mexico.

The July 17, 2006 acquisition was accomplished by a share exchange by which the Company issued 3,164,702 shares as consideration, which we refer to as the "Payment Shares", for the purchase of the additional 39.25% interest in Avino Mexico. The Payment Shares were valued based on the July 17, 2006 closing market price of the Company's shares on the TSX-V.

The Company acquired a further 1.1% interest in Avino Mexico through the acquisition from an estate subject to approval and transfer of the shares to the Company by the trustee for the estate. On December 21, 2007 approval was received and the Company obtained the 1.1% interest from the estate for no additional consideration.

On February 16, 2009 and on June 4, 2013, the Company converted existing loans advanced to Avino Mexico into new additional shares of Avino Mexico. As a result, the Company's ownership interest in Avino Mexico increased to 99.66%.

The Company has no other significant acquisitions or dispositions of property, except as disclosed in this Annual Report.

B. Business Overview

Operations and Principal Activities

The Company is a Canadian-based resource firm focused on silver and gold production and exploration. The Company has a long prior history of operation, beginning in 1968 with the development of the Avino Silver Mine, located in the state of Durango, Mexico (the "Avino Mine"). From 1974 to 2001, the Avino Mine produced silver, gold, copper and lead and provided hundreds of jobs for the Durango region before closing due to depressed metal prices and closing of smelter. Beginning in 2002, the Company re-directed its corporate strategy to focus almost entirely on silver and began acquiring silver properties in North America. The Company acquired the Eagle property in Canada's Yukon Territory and the Aumax silver and gold property in British Columbia. Each property produced positive assays for silver through drilling and sampling however, in late April 2012, the Company relinquished its interest in the Aumax silver and gold property to focus on its property in Mexico. The Avino Mine in Mexico and surrounding mineral leases continue to hold silver potential. These properties, along with other silver and gold projects, will remain the Company's principal focus for the foreseeable future.

Presently, the Company is a "production stage company". On October 1, 2012, the Company declared production at levels intended by management had been achieved at the San Gonzalo mine. The decision was based on the following criteria:

- All major capital expenditures to bring the San Gonzalo Mine into the condition necessary for it to be capable of operating in the manner intended by management had been completed;
- The Company completed testing of the mine plant for a significant period time and tuned it to a level appropriate for efficient profitable operations;
- The Company proved the ability to produce a saleable bulk concentrate – this was established by conducting the bulk sample program in 2010 and 2011;
- The mine is operated by the Company's own operating personnel with the exception of underground mine development for which it uses a mining contractor to achieve more efficiency;
- The mill has reached the pre-determined percentage of design capacity which is 250 tpd for processing San Gonzalo ore;
- Mineral recoveries are at and above expected production levels; and
- The Company has demonstrated the ability to sustain ongoing production of mineralized material at steady level.

The above factors were considered in making the decision that production at levels intended by management had been achieved as at October 1, 2012, and management is confident that its decision is appropriate and accurately reflects the stage the Company is in.

Avino's remaining Mexican properties other than San Gonzalo and Canadian properties are all at the exploration stage. In order to determine if a commercially viable mineral deposit exists in any of these properties, further geological work will need to be done, and based upon the results of that work a final evaluation will need to be made to conclude on economic and legal feasibility. The Company is currently focusing on production at the San Gonzalo mine and exploration of the Avino property in Mexico, and its Canadian properties are not deemed to be material and are subject to care and maintenance for further development, if any.

Competition

The mining industry in which the Company is engaged is highly competitive. Competitors include well-capitalized mining companies, independent mining companies and other companies having financial and other resources far greater than those of the Company. The Company competes with other mining companies in connection with the acquisition of gold, silver and other precious metal properties. In general, properties with a higher grade of recoverable mineral and/or which are more readily mined afford the owners a competitive advantage in that the cost of production of the final mineral product is lower.

Seasonality

Certain of our operations are conducted in British Columbia and the Yukon Territory. The weather during the colder seasons in these areas can be extreme and can cause interruptions or delays in our operations. As a result, the preferable time for activities in these regions is the spring and summer when costs are more reasonable and access to the properties is easier. In the summer months, however, if the weather has been unusually hot and dry, access to the Company's properties may be limited as a result of access restrictions being imposed to monitor the risks of forest fires.

Governmental Regulation

The current and anticipated future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, territorial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Such operations and exploration activities are also subject to substantial regulation under these laws by governmental agencies and may require that the Company obtain permits from various governmental agencies. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations, or that new legislation or modifications to existing legislation, would not have an adverse effect on any exploration or mining project which the Company might undertake.

Mineral exploration and mining in Mexico is covered under the Mining Law as first published in June 1992, and amended in April 2005. Mining operations in Mexico are administered by the Ministry of Economy. Environmental regulations are covered under “Ley General del Equilibrio Ecológico y la Protección al Ambiente” (General Law of Ecological Balance and Environmental Protection) and its regulations. Certain other environmental laws, including “Ley de Aguas Nacionales” (Law of National Waters) and “Ley Forestal” (Forestry Law) and their associated regulations may also cover certain operations. The kind of permits or authorizations required to conduct mining or mineral exploration operations in Mexico depend upon the type of operation. Common exploration activities do not require prior environmental authorization or licenses, but it is advisable to request a confirmation from the National Water Commission that planned operations will not affect the water table. It is also necessary to confirm that any planned operations will not be conducted in protected natural areas.

The Company believes it has obtained all necessary permits and authorizations required for its current exploration. The Company has had no material costs related to compliance and/or permits in recent years, and anticipates no material costs in the next year. Unfavorable amendments to current laws, regulations and permits governing operations and activities of resource exploration companies, or more stringent implementation thereof, could have a materially adverse impact on the Company and cause increases in capital expenditures which could result in a cessation of operations by the Company.

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

The enactment of new laws or amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

C. Organizational Structure

The Company's Mexican subsidiaries are the wholly owned subsidiary of Oniva Silver and Gold Mines S.A. de C.V., referred to as "Oniva", Promotora, in which the Company has direct ownership of 79.09%, and Avino Mexico in which the Company has a 98.39% direct ownership and an additional 1.27% of Avino Mexico is held through Promotora. The Company's total effective ownership interest in Avino Mexico is 99.66%. All of the above subsidiaries are incorporated under the laws of Mexico.

D. Property, Plants and Equipment

The Company is producing a bulk concentrate at the San Gonzalo Mine located on the Avino property in Durango, Mexico. The Company is also working to re-open the main Avino Mine as well as exploring options to re-process a large tailings resource left from past mining on the property. In addition, the Company is exploring three silver and gold projects in Canada. All of the Company's mineral property interests in Canada are wholly-owned by the Company. In Mexico, the Company has a 99.66% interest in Avino Mexico, a Mexican company which is involved in the mining of commercial ores and resource exploration and development, including the operation of the Avino Mine. Avino Mexico is not involved with any exploration activities in Canada. The Company owns and manages these properties. Exploration in Canada has in recent years, been limited to prospecting, trenching and drill programs on the Eagle, Olympic-Kelvin, and Minto, and Aumax properties. However, as disclosed above, the Company relinquished its interest in the Aumax property to focus on its property in Mexico.

The Company uses detailed sampling to provide the basis for quality estimates and grades of its mineral discoveries. Samples are collected under the supervision of a qualified person who then follows procedures for the collection, sample preparation and chain of custody guidelines for the shipment of the samples to a certified commercial laboratory as set out in National Instrument 43-101. These commercial labs have standard Quality Assurance/Quality Control protocols in place for the various assaying methods that are being used on the samples. In addition, blanks, standards and duplicates are generally used to confirm the validity of the results before they are reported.

Avino Property, Durango, Mexico

Location

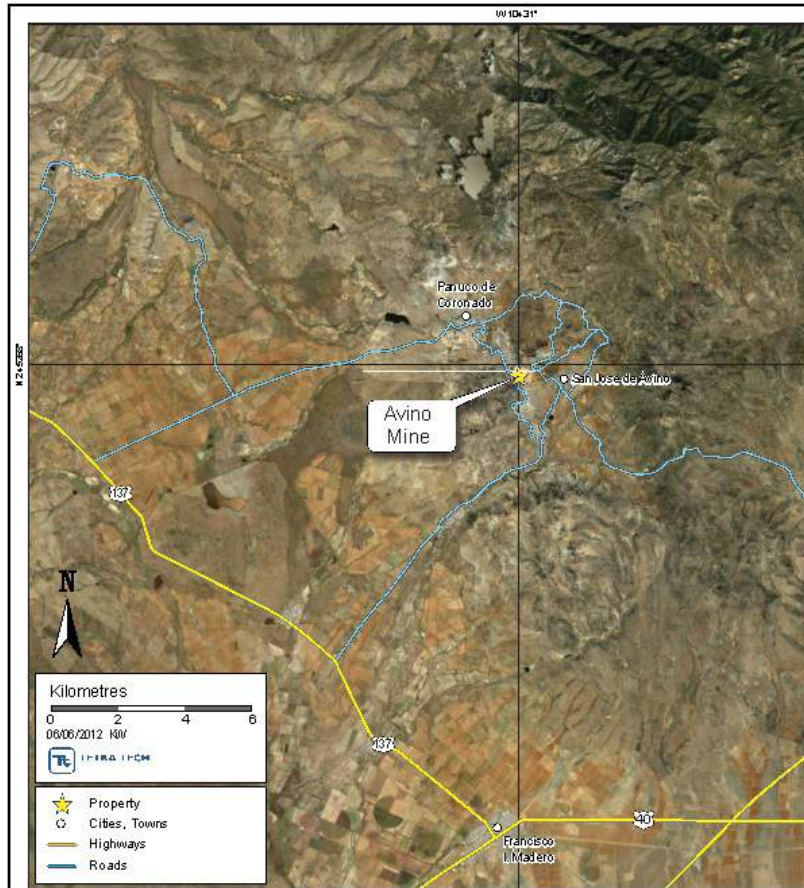
The property is located in Durango State in North Central Mexico, within the Sierra Madre Silver Belt on the eastern edge of the Sierra Madre Occidental mountain range. The nearest major center is the city of Durango, 82 km to the southwest of the property. The property is within the municipality of Pánuco de Coronado between the towns of Pánuco de Coronado and San José de Avino. The property is located at latitude N 24° 53', longitude W 104° 31', 14 km northwest of Highway 40D.

The property is situated as illustrated in the figures below:

General Property Location Map



Regional Property Location Map



Accessibility and Local Resources

The property is accessible by road and is an important part of the local community from which skilled workers are available. Access is provided by Highway 40, a four-lane highway leading from Durango, past the airport and on to the city of Torreon in Coahuila. Successive turn-offs for the property are at Francisco I Madero, Ignacio Zaragoza, and San José de Avino (Slim 2005d). The Avino mineral concessions are covered by a network of dirt roads which provide easy transport access between all areas of interest on the Property and the mill at the main Avino Mine (Gunning 2009).

The nearest major city is Durango, with a population of approximately 465,000. Durango is a major mining center in Mexico where experienced labour and services can be obtained. The two towns nearest the mine are Pánuco de Coronado and San José de Avino, where the majority of the employees live while working at the mine. Pánuco de Coronado has a population of approximately 12,000, and San José de Avino is a small center with a population of less than 1,000.

Geology and Mineralization

The property is located within the Sierra de Gamon, on the east flank of the Sierra Madre Occidental. The area is a geological window into the Lower Volcanic series and consists mainly of volcanic flows, sills, and tuffaceous layers of andesite, rhyolite, and trachyte. Individual rock units vary from 300 to 800 m in thickness. Andesitic rocks outcrop over most of the region with other rock types occurring more sparsely to the north (Slim, 2005d).

A large monzonitic intrusion is observed in the region in the form of dykes and small stocks, which appear to be linked to the onset of the Avino vein mineralization. Other post-mineralization dykes of intermediate to felsic composition outcrop in various areas and appear to cause minor structural displacements. A number of thin mafic sills are also found in various parts of the region and are related to recent volcanism.

Regionally, the Avino concession is situated within a 12 km north-south by 8.5 km caldera, which hosts numerous low sulphidation epithermal veins, breccias, stockwork and silicified zones. These zones grade into a "near porphyry" environment, particularly in the Avino Mine area. The caldera has been uplifted by regional north trending block faulting (a graben structure), exposing a window of andesitic pyroclastic rocks of the lower volcanic sequence, a favourable host rock, within the caldera. This sequence is overlain by rhyolite to trachytes with extensive ignimbrite layers forming the upper volcanic sequence and is intruded by monzonite bodies. The basal andesite-bearing conglomerate and underlying Paleozoic basement sedimentary rocks (consisting of shales, sandstones and conglomerates) have been identified on the Avino concession in the south-central portion of the caldera, covering the Guadalupe, Santiago, San Jorge, the San Gonzalo Trend, Malinche, Porterito and Yolanda areas. A northerly trending felsic dyke, probably a feeder to the upper volcanic sequence, transects the Property and many of the veins. The Aguila Mexicana low temperature vein system, with significant widths but overall low precious metal values, trends north-northwest, similar to the felsic dyke and with similar continuity across the property. The two structures may occupy deep crustal faults that controlled volcanism and mineralization, with the felsic dyke structure controlling the emplacement of the Avino, Nuestra Senora and El Fuerte-Potosina volcanic centres and the Aguila Mexicana controlling the Cerro San Jose and El Fuerte-Potosina volcanic centres (Paulter 2006).

Silver- and gold-bearing veins cross-cut the various lithologies and are generally oriented north-northwest to south-southeast and northwest to southeast. The rocks have been weathered and leached in the upper sections, as a result of contact with atmospheric waters. The oxide tailings material is primarily from this source, whereas the sulphide tailings are predominantly from material sourced at depth from the underground workings. In Mexico, these types of deposits can have large lateral extents, but can be limited in the vertical continuity of grades.

The valuable minerals found during the period of mining of the oxide zone were reported to be argentite, bromargyrite, chalcopyrite, chalcocite, galena, sphalerite, bornite, native silver, gold and native copper. The gangue minerals include hematite, chlorite, quartz, barite, pyrite, arsenopyrite and pyrrhotite. Malachite, anglesite, and limonite are common in the quartz zones of the weathered parts of the oxide material.

Property Ownership

The current Property is comprised of 23 mineral concessions, totalling 1,103.934 ha.

In 1968, Avino Mines and Resources Ltd. acquired a 49% interest in Avino Mexico and Minera San José de Avino SA, which together held mineral claims totalling 2,626 ha (6,488 ac). Avino Mines and Resources Ltd. retained Vancouver-based Cannon-Hicks & Associates Ltd. (Cannon-Hicks), a mining consulting firm, to conduct the exploration and development of the Property. Cannon-Hicks exploration activities included surface and underground sampling and diamond drilling (VSE 1979).

In early 1970, Avino Mines and Resources Ltd. signed a letter of intent with Denison Mines Ltd. for the future development of the Avino Mine. However, the agreement was never signed.

In May 1970, Avino Mines and Resources Ltd. signed a formal agreement with Selco Mining and Development (Selco), a division of Selection Trust Company. Due to other commitments, Selco abandoned its interest in the Project in 1973 (VSE 1979).

In October 1973, Avino Mines and Resources Ltd. signed a new agreement with S.G.L. Ltd. and Sheridan Geophysics Ltd. Under the terms of the agreement, S.G.L. Ltd. was to provide up to \$500,000 plus the management to erect a production plant. The agreement provided for the return of the capital from first cash flow, plus a management fee and interest payment together with an option to convert a portion of the advanced funds to common shares. The agreement with S.G.L. Ltd. was terminated in mid-1976.

On July 17, 2006, the Company completed the acquisition of Compañía Minera Mexicana de Avino, S.A. de C.V. ("Avino Mexico"), a Mexican corporation, through the acquisition of an additional 39.25% interest in Avino Mexico which combined with the Company's pre-existing 49% share of Avino Mexico, brought the Company's ownership interest in Avino Mexico to 88.25%. The additional 39.25% interest in Avino Mexico was obtained through the acquisition of 79.09% of the common shares of Promotora Avino S.A. de C.V., referred to as "Promotora", which in turn owns 49.75% of Avino Mexico's common shares, and the direct acquisition of 1% of the common shares of Avino Mexico.

The July 17, 2006 acquisition was accomplished by a share exchange by which the Company issued 3,164,702 shares as consideration, which we refer to as the "Payment Shares", for the purchase of the additional 39.25% interest in Avino Mexico. The Payment Shares were valued based on the July 17, 2006 closing market price of the Company's shares on the TSX-V.

The Company acquired a further 1.1% interest in Avino Mexico through the acquisition from an estate subject to approval and transfer of the shares to the Company by the trustee for the estate. On December 21, 2007 approval was received and the Company obtained the 1.1% interest from the estate for no additional consideration.

On February 16, 2009, the Company converted existing loans advanced to Avino Mexico into new additional shares of Avino Mexico. As a result, the Company's ownership interest in Avino Mexico increased to 99.28%.

On June 4, 2013, the Company converted existing loans advanced to Avino Mexico into new additional shares of Avino Mexico, resulting in the Company's ownership increasing by 0.38% to an effective 99.66%. 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%.

Summary of Property Ownership

<u>Company</u>	<u>Relationship to Avino Silver & Gold Mines Ltd.</u>	<u>Effective Ownership of Avino Mine Property (%)</u>
Avino Mexico	Subsidiary	98.39
Promotora Avino, S.A. de C.V.	Subsidiary	1.27
Total Effective Ownership of Avino Mine Property	-	99.66
Estate of Ysita	Non-controlling interest	0.34
Total	-	100.00

Mineral Concessions and Agreements

The current Property is comprised of 23 mineral concessions, totalling 1,103.934 ha. Of these, 22 mineral concessions totalling 1,005.104 ha, are held by Avino Mexico (Avino's Mexican subsidiary company), Promotora Avino SA de CV, and Susesion de la Sra. Elena del Hoyo Algara de Ysita. Ownership proportions and mineral concessions are summarized in the tables below:

Claim Staking and Mineral Tenure in Mexico

In 1992, a new Mining Law was enacted and has been amended from time to time since then. In general, and for North American companies in particular, Mexican law permits direct or indirect 100% foreign ownership of exploration and mining properties. For practical purposes, most foreign companies establish Mexican subsidiaries. Mining companies are subject to the normal corporate income tax rate of 30%. Further, in 2014 the Mexican Government enacted a new tax reform which includes a 7.5% mining royalty calculated as taxable revenues (except interest and inflationary adjustment), less allowable deductions for income tax purposes (excluding interest, inflationary adjustment, mining concessions and depreciation and depletion), less exploration expenses, and a 0.50% environment on sale of silver and gold.

In December 2005, amendments to the mining law eliminated the distinction between "exploration" and "exploitation" concessions. Currently, the mining act and regulations provide solely for mining concessions (Concesiones Mineras), which are issued for a term of fifty years, renewable for an additional term of fifty years.

Owners of mining concessions are obliged to:

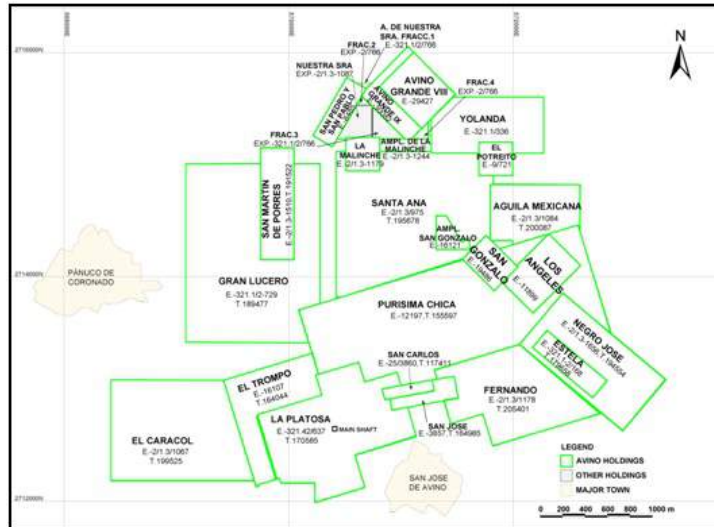
- Execute work under the terms and conditions established in the mining law;
- Pay fees to the Secretaria de Economia on a semi-annual basis;
- Locate on the ground a starting point (mojonera) for the location of the concession, and maintain the mojonera in good condition;
- Begin work on the concession within 90 days of receiving the mining title;
- File annual reports describing the work completed and the amount spent doing the reported work*;
- The Direccion General de Minas ("DGM") has the right to audit the receipts and verify that reported work was completed in the field; and
- Failure to comply with the obligations or to assist the DGM with an audit will result in cancellation of the mining concession.

Mineral Concessions – Avino Property

Concession Name	Concession No.	Claim Type	Location	Hectares (ha)	Date Acquired	Expiration Date	Cost (US\$/ha)	Payment (US\$)
Agrupamiento San Jose (Purisma Chica)	155597	Lode	Pánuco	136.708	30/09/1971	29/09/2021	124.74	17,052.91
Agrupamiento (San Jose)	164985	Lode	Pánuco	8	13/08/1979	12/8/2029	124.74	997.92
Agrupamiento San Jose (El Trompo)	184397	Lode	Pánuco	81.547	13/10/1989	12/10/2039	124.74	10,172.12
Agrupamiento San Jose (Gran Lucero)	189477	Lode	Pánuco	161.468	5/12/1990	4/12/2040	124.74	20,141.57
Agrupamiento San Jose (San Carlos)	117411	Lode	Pánuco	4.451	5/2/1961	16/12/2061	124.74	555.16
Agrupamiento San Jose (San Pedro Y San Pablo)	139615	Lode	Pánuco	12	22/06/1959	21/06/2061	124.74	1,496.88
Aguila Mexicana	215733	Lode	Pánuco	36.768	12/3/2004	29/06/2044	70.88	2,606.12
Ampliacion La Malinche	204177	Lode	Pánuco	6.01	18/12/1996	17/12/2046	124.74	749.72
Ampliacion San Gonzalo	191837	Lode	Pánuco	5.85	19/12/1991	18/12/2041	124.74	729.67
Avino Grande Ix	216005	Lode	Pánuco	19.558	2/4/2002	1/4/2052	70.88	1,386.24
Avino Grande Viii	215224	Lode	Pánuco	22.882	14/02/2002	13/02/2052	70.88	1,621.85
El Caracol	215732	Lode	Pánuco	102.382	12/3/2002	28/04/2044	70.88	7,256.84
El Potrerito	185328	Lode	Pánuco	9	14/12/1989	13/12/2039	124.74	1,122.66
Fernando	205401	Lode	Pánuco	72.129	29/08/1997	28/08/2047	124.74	8,997.33
La Estela	179658	Lode	Pánuco	14	11/12/1986	12/12/2036	124.74	1,746.36
La Malinche	203256	Lode	Pánuco	9	28/06/1996	27/06/2046	124.74	1,122.66
Los Angeles	154410	Lode	Pánuco	23.713	25/03/1971	24/03/2021	124.74	2,957.96
Negro Jose	218252	Lode	Pánuco	58	17/10/2002	16/10/2052	70.88	4,111.04
San Gonzalo	190748	Lode	Pánuco	12	29/04/1991	28/04/2041	124.74	1,496.88
San Martin De Porres	222909	Lode	Pánuco	30	15/09/2004	14/09/2054	70.88	2,126.40
Santa Ana	195678	Lode	Pánuco	136.182	14/09/1992	13/09/2042	124.74	16,987.38
Yolanda	191083	Lode	Pánuco	43.458	29/04/1991	28/04/2041	124.74	5,420.91
Total hectares				1,005.106				

Note: Concession “La Platosa” is not included because it is not held by Avino.

Map of Avino Mine Property Concessions



On February 18, 2012, through its subsidiary company Avino Mexico, Avino re-entered into an agreement (the Agreement) with Minerale de Avino, S.A. de C.V. (“Minerale”), whereby Minerale has indirectly granted to Avino the exclusive mining and occupation rights to the La Platosa concession. The La Platosa concession covers 98.83 ha and hosts the Avino vein and ET Zone.

Pursuant to the Agreement, Avino has the exclusive right to explore and mine the concession for an initial period of 15 years, with the option to extend the agreement for another 5 years. In consideration of the grant of these rights, Avino must pay to Minerale the sum of US\$250,000, by the issuance of common shares of Avino. Avino will have a period of 24 months for the development of mining facilities.

Avino has agreed to pay to Minerale a royalty equal to 3.5% of NSRs. If at the commencement of commercial production from the property the monthly processing rate of the mine facilities is less than 15,000 tonnes, then Avino must pay to Minerale in any event a minimum royalty equal to the applicable NSR royalty based on processing at a minimum monthly rate of 15,000 tonnes. In the event of a force majeure, Avino shall pay the minimum royalty as follows:

- first quarter: payment of 100% of the minimum royalty;
- second quarter: payment of 75% of the minimum royalty;
- third quarter: payment of 50% of the minimum royalty;
- fourth quarter: payment of 25% of the minimum royalty; and
- in the case of force majeure still in place after one year of payments, payment shall recommence at a rate of 100% of the minimum royalty and shall continue being made as per the quarterly schedule.

Minerale has also granted to Avino the exclusive right to purchase a 100% interest in the concession at any time during the term of the Agreement (or any renewal thereof), upon payment of US\$8 million within 15 days of Avino’s notice of election to acquire the Property. The purchase would be completed under a separate purchase agreement for the legal transfer of the concession. This agreement replaces all other previous agreements.

During the month of May of each year, Avino must file assessment work made on each concession for the immediately preceding calendar year. During the months of January and July of each year, Avino must pay in advance the mining taxes which are based on the surface of the concession and the number of years that have elapsed since it was issued.

Consistent with the mining regulations of Mexico, cadastral surveys have been carried out for all the listed mineral concessions as part of the field staking prior to recording (Slim 2005d). It is believed that all concessions are current and up to date. Mineral concessions in Mexico do not include surface rights. Avino has entered into agreements with communal land owners (Ejidotes) of San José de Avino, for the temporary occupation and surface rights of the concessions.

Based on the review of a legal opinion, issued title certificates and the unimpeded residence on the Property, Tetra Tech has verified that Avino owns the concessions through its Mexican subsidiary company, Avino Mexico, and that there is no indication of any encumbrances at the site. Furthermore, the legal document prepared by Jesús Bermúdez Fernández, dated February 18, 2012, delineating the terms of the agreement on the La Platosa concession has been sourced for information.

History

Avino Mine

The Avino deposit was originally discovered around 1555 by the Spanish conquistador, Don Francisco de Ibarra. In 1562, Francisco de Ibarra, was appointed governor of the newly formed province of Nueva Vizcaya, in the Viceroyalty of Nueva España (New Spain) and, in 1563, founded the town of Durango. Francisco de Ibarra led several expeditions in search of silver deposits in the region and is recognized as having established Minas de Avino, present day Avino Mine; San Martín, Durango; and Pánuco, Sinaloa. Mining operations at the Avino Mine are said to have commenced in 1562-1563 and have been in production until the early 1900s. Operations at the Avino Mine continued up to the onset of the War of Independence (1810) when operations were interrupted but continued through to the early 1900s.

In 1880, the mines were taken over by Avino Mines Ltd., a company controlled by American and English interests. With aid of new industrial technology the Avino mine developed into a more efficient mining operation. By 1908, the Avino Mine was considered one of the largest open pit mines in the world and equipped with one of the largest lixiviation smelters (Gallegos 1960; Bannon 1970; VSE 1977; Slim 2005d).

During the outbreak of the Mexican Revolution in 1910, proceeds from the mine supplied funds to the revolutionary forces. Since much of the fighting occurred in and around Durango and the risk posed by brigands hiding in the mountains was high, the mine was abandoned in 1912.

Between 1912 and 1968, the mine was worked intermittently on a very small scale (Avino Annual Report 1980). There is no known historical record of production from the Avino Mine during this period. The Avino Property was acquired under current ownership in 1968.

In 1968, the current operators of the Avino property acquired an initial 49% interest in the property. Initial mining was by open-cut in the oxide material from 1976 until 1992 when the stripping ratio was becoming excessive and sulphide content increasing at which date the production was transferred to underground. This necessitated a mill change from the prior lead concentrate production to one of copper carrying silver and gold. In the 1990s a larger ball mill was installed, to increase throughput to 1,000 t/d.

During the underground mining period starting in 1992, Trackless mining was adopted, with all underground development headings sized at 4m x 4m. Mine access from surface was by a spiral ramp from a portal on the south side of the hill and there is a secondary ramp—Rampo El Trompo—to the north side, close to the maintenance shop.

Production was by sub-level stoping with a sub-vertical increment restricted from 11m to 15m to countermine dilution arising from an occasional, semi-incompetent hanging-wall. Stopes were started by raising, and then slashing to the designated width. Blasting was by parallel holes drilled with a traditional drill wagon. Rib and sill pillars were left but are generally considered as non-recoverable.

Standard mine development was by using boom jumbo with waste being dumped where possible into old stopes. Ore mucking and haulage was by scoop tram and dumped on surface at the main portal. The ore was then picked up and transferred to the plant ROM hopper about 300 m away.

A surface-stacked, downstream tailings-system was adopted with cyclones on the tails discharge line to provide coarse wall-material. Decant water was recovered by a back-slope gradient and pumping, for mill re-circulation. A second, stepped-back bench was created, possibly about 1986 or 1987. A third bench was started, apparently in 1990, with about two years placement of final oxide material then continued with the sulphide tails.

The Avino Mine and processing plant were serviced by a heavy equipment repair shop, mechanical and electrical shops, assay office, metallurgical laboratory, warehouse and other auxiliary facilities. Electric power was supplied by the government-owned Federal Electricity Commission.

In November 2001, delays in payments, low metals prices and the closure of the toll smelter led to the suspension of mine operations. During the 27 year production run starting in 1974, the Avino mine had produced about 497 tons of silver, three tons of gold, and 11,000 tons of copper. When mining operations stopped, level 12 of the mine had been reached.

The property was mainly dormant from 2002 to 2006, largely due to low copper and silver prices.

San Gonzalo Mine

The history of the San Gonzalo deposit is not well known. Shallow workings from an old mine are present in the San Gonzalo vein, and consist of small underground workings which were originally accessed by a five-level vertical shaft. These workings were sampled by M. Evans in 1954. The workings are accessible through a raise that was driven in 2012 which is being used for ventilation. No attempts have been made to duplicate the results of the 1954 sampling. The limits of past workings have been taken from old maps but are assumed to be reasonably accurate (Gunning 2009).

Current Condition

San Gonzalo Mine

Avino gained control of the property in July 2006 and exploration (see exploration section below) resumed that year; this led to the discovery of new mineralization at San Gonzalo.

The original underground workings extend over an area approximately 150 m along strike and 136 m in depth. In 2007-08 Avino conducted a 42-hole, 9,204 metre drill program to explore the San Gonzalo deposit. Drilling produced encouraging results which were input into a resource calculation in 2009.

Following a 2009 mineral resource estimate, independently verified preliminary metallurgical testing on a composite sample of San Gonzalo material was completed at SGS Minerals Services in Durango, Mexico. The results indicated the silver and gold minerals from the San Gonzalo vein at lower levels would respond favorably to flotation with gold recoveries of 89 to 90% and silver recoveries of 92 to 93%.

The San Gonzalo mining operation began in January 2010. DMG the mining contractor was contracted to provide this service. Their original scope of work was to drive the main haulage decline to level 2 and to intersect the vein; drift and sample to the east and the west on the vein, and to determine the extent of the mineralized zones and to extract the 10,000 tonne bulk sample for testing as per the recommendations of the Orequest Mineral Resource Estimate Report. A smaller decline to level 1 was also commissioned and its purpose was for ventilation and an escape route once the two levels were connected by raises from level 2 to level 1. This scope of work was extended with the successful completion of the bulk sample program and mining continued with the aim of developing San Gonzalo to a state whereby it could provide mill feed at the rate of 250 tonnes per day on a sustained basis.

Processing of San Gonzalo material began in late November 2010 in the newly refurbished 250 tonne per day bulk flotation circuit. Test with development material was performed initially to ensure the circuit was operating satisfactorily before the bulk sample test with material from the stopes began in January of 2011. The bulk sample test continued until early April 2011 when the limit of 10,000 tonnes was achieved for the independent verification. Processing of the remaining San Gonzalo material on stockpile continued till the middle of May. During this period of November 2010 to May 2011, the plant processed a total of 19,850 tonnes leaving approximately 14,798 tonnes remaining on stockpile in inventory by calculation.

The majority of the concentrate produced during the bulk sample test was sold and the assays from the concentrate sale were used to reconcile the mill balance as reported following the verification of the bulk sampling results. All the remaining concentrate produced from the development material was shipped and sold early in 2012.

Following the completion of the bulk sample which was comprised of material from levels 1 and 2, mine advancement at San Gonzalo has been ongoing. In 2012, the remaining material from the stopes on level 2 was mined and brought to the surface. During 2012, level 3 was the main focus of mining activities with two stopes having been developed and partially extracted by the end of the year. By the end of July, a decline from level 3 to level 4 had been completed and work on the ramp to level 5 had commenced. By year-end, level 5 had been reached and stope development on level 4 was underway. Underground advancement for 2012 totaled 2,558 metres consisting of ramp advancement, cross cuts, drifts and raises.

During 2013 the production came mainly from level 4. Development of level 5 was ongoing and by year end a sampling program totaling 440 metres had been completed. The ramp from level 5 to level 6 had been completed by the time of the report and drifting on the vein was underway; A comparison of vein and drift (mined) widths on level 5 are presented below:

Average Widths and Assay Values Over Total Length (441.23m) Sampled on Level 5					
	Width (m)	Gold (g/t)	Silver (g/t)	Pb %	Zn %
Vein	1.79	3.29	556	0.53	1.28
Drift	2.78	2.17	366	0.37	0.67

A Comparison of Vein Widths and Grade (Back Samples) of the 4th and 5th levels is presented below:

Comparison of Vein Widths and Grade (Back Samples): 4th & 5th Levels					
Width (m)	Gold (g/t)	Silver (g/t)	Pb %	Zn %	
4th Level: 334.34m Sampled Length					
1.72	2.05	440	0.64	1.16	
5th Level: 441.23m Sampled Length					
1.79	3.29	556	0.53	1.28	

Access to the underground at San Gonzalo is via a 4m by 4m decline developed at -12%. The decline is developed at about 20m to 25m from the ore. San Gonzalo is using shrinkage mining for the narrower ore, ~1.4m in width and cut and fill mining for ore wider than 2m.

The San Gonzalo Mine was subject to a mineral resource estimate which was published in July 2013; please see the section below on *Mineral Resource Estimates* for more details.

Avino Mine

In February 2012, a new long-term royalty agreement was signed to grant Avino mining rights to the main Avino vein. When operations resume, Avino will use the existing 1,000 TPD circuit to process the material.

To resume underground development of the Avino mine, the existing underground workings must first be dewatered. Construction of a water treatment plant and water testing have been completed, the treatment plant is operational. At the time of this report, the water level had receded down to level 9.5 of the mine. Mexican authorities have granted permission to the Company to de-water the mine without requiring a formal permit. Avino is required to submit quarterly reports logging the chemical content of the water being pumped from the underground workings. Once the water is treated it is discharged to the El Caricol dam and used for milling as well as for irrigation of local farms. Dewatering is expected to reach the bottom of the flooded area (level 11) by the second quarter of 2014, with operations expected to resume in later in the year.

A review of the underground workings by mine personnel above the water level is also taking place to identify potential mining areas; this represents part of the exploration program aimed at re-opening the historic Avino mine. Equipment has been installed to rehabilitate and stabilize areas where sloughing has occurred.

The Avino Mine was subject to a mineral resource estimate which was published in July 2013; please see the section below on *Mineral Resource Estimates* for more details.

Tailings Resource

Avino continues to explore options for exploiting the mine's tailings resource left from past mining of the Avino Vein. The tailings are situated approximately 500 m west-southwest of the main shaft to the main Avino mine.

This asset includes oxide and sulphide tailings, each requiring separate treatment methods. The tailings resource was created during between 1976 and 2001 during Avino's previous operation from both open pit (oxide tailings) then later underground (sulphide tailings) mining. Improved metals markets now potentially enable Avino to process the remaining silver and gold in the tailings.

The oxide tailings were produced between 1974 and 1993 from open pit mining of the main Avino vein. In 2012, the oxide tailings resource was the subject of a preliminary economic assessment completed by Avino's independent engineering consultants Tetra Tech. The results of the study were published in the July 2013 Technical Report on the Avino Property, Durango, Mexico by Tetra Tech. (Please see the section below titled: *Tailings Resource – Preliminary Economic Assessment*). Further details the oxide tailings please see the section below titled: *Mineral Resource Estimates*.

Project Infrastructure

The Avino Mine is connected to the local power grid with a line capacity quoted at 4 MW when the mine last operated in 2001. With the shutdown, much of this excess power has been diverted to the surrounding towns in the district. The present power line provides only 1,000 kW of power with 500 kW servicing the mill, 400 kW for San Gonzalo and the balance for the well at Galeana, employee accommodation facility and water reclaim from the tailings dam. The San Gonzalo power line was built in 2009 to replace the contractor's diesel generator used during mine development. A C-27 CAT diesel power generator, which produces 700 kW, is being used to power the second circuit.

While water supply was found to be limiting in the past, Avino has taken the necessary steps to secure adequate supply. To supplement the 1 Mm³ dam built by Avino in 1989, a well (Galeana) was drilled to the west of the mine site in 1996 to a depth of 400 m and is reported to have a water level at 40 m below the collar. From this, a pipeline connection has been installed to the mine. Additionally, Avino Mexico, in cooperation with the government, has repaired a government dam (El Caracol) and raised the dam wall by 6 m. A pipeline to the mine has also been installed. This dam is shared with the population of Pánuco de Coronado for their irrigation needs, as 60% for the mine and 40% for the town, with government setting the annual total take to which percent sharing applies. Mine site water use is from a combination of tailings water reclaim, El Caracol, and Galeana with preference given to mine site sources for which no water conservation charge was applicable (Slim 2005).

Underground mine water at the Avino Mine is acidic. Since October 2012 dewatering of the Avino Mine began and a water treatment plant using lime to raise the pH and to precipitate the heavy metals was constructed and built. The water treatment facility is a typical Mexican design and the effluent water quality had to meet the agricultural standards for discharge. Test results to date show the results do meet the required agricultural standards and being discharged to the El Caracol Dam via gravity. The effluent is being monitored on a daily basis when the treatment plant is operational. Sludge which is considered low density is sent to the tailings dam.

Processing Plant

In September 2006, the Company conducted a review of the plant, including the condition of all equipment, capacity of each circuit, and efficiency of the plant. The review was an order of magnitude cost estimate for putting the plant back into operation at the rate of 1,000 tpd.

The Company's processing plant was built initially in the 1970's and was refurbished and capacity increased in 1993. Most of the infrastructure was in place for both a 250 tpd and 1,000 tpd operation. At the time of shutdown in 2001 with low commodity prices and closure of smelter, the mill was operating at an average rate of 1,130 tpd.

In order to perform the bulk sample program, major infrastructure spending and mill repairs were required. Most of these expenditures took place in 2008 and 2009 with additional spending required more recently as further needs arise to meet the demands of an operating mine.

A list of the major items purchased, installed and repaired are as follows:

- To provide an operating 250tpd milling circuit, as much of the existing process equipment was used. The crushing plant was reconfigured for 2 stages of crushing rather than 3 by installing a smaller jaw crusher, repairing the short head cone crusher and the vibrating screen. The 8x6 ball mill was inspected and the necessary mechanical repairs were made to make the mill operational. Two smaller bank of flotation cells were fabricated and installed. In the dewatering section, the existing 20ft thickener was cleaned and the side walls and bottom were reinforced with new steel plates. New filter sectors for the existing filter and a new vacuum pump were purchased and installed. The entire mill was rewired accordingly to meet the electrical code.
- Infrastructure. Expenditures in this area included the following:
 1. Water supply from Galeana, La Caricol Dam and the Tailings Reclaim. All of these items required pumps, electrical starters, cable and transformers and repairs to the existing pipelines.
 2. Clean and reactivate the two existing water storage tanks and install a new 2" pipeline to supply water to San Gonzalo
 3. Purchase equipment such as a new Varian AA machine for the Assay Laboratory
 4. Two diamond drill core storage sheds
 5. Reactivate and calibrate the existing dump truck scale
 6. Miners Quarters for approximately 50 contract miners and related services for housing them
 7. Mine Office and Maintenance Shop
 8. Fuel Storage Tank and containment (San Gonzalo)
 9. Reactivate two secured explosives storage facilities and the guard house
 10. Phone and telecommunication systems
 11. New 400kW Power line from the vicinity of the process plant to San Gonzalo
 12. Upgrade the road from San Gonzalo to process plant. A distance of about 1.7km.
 13. 4 mine dewatering pumps for ET
 14. Water Treatment plant
 15. Lime storage and feeding system for water treatment plant
 16. 700kW CAT generator for Circuit #2
 17. 2 Diesel fuel storage tanks for Circuit #2 generator
 18. Ring and puck Lab pulveriser
 19. Fire Assay furnace & micro gold balance
 20. 4 ¼ short head cone crusher
 21. Ingersoll & Rand air compressor for floatation cells
- Major Surface and Underground Equipment Purchases include:
 1. 924-H Caterpillar front end loader
 2. DR-6 Cat Dozer
 3. 13 light service passenger vehicles
 4. 300kW Diesel power generator
 5. 150hp Air compressor
 6. 5 yard Scoop from Remag

7. 3 yard Scoop from Caterpillar
8. LY-44 Surface and ONRAM 1000/3 Underground diamond drills
9. Caterpillar 320D combination backhoe and rock breaker
10. Oldenberg single boom jumbo from Caterpillar
11. RG 1600 Scoop tram
12. Energy efficient air compressor
13. 2 San Gonzalo mine dewatering pumps
14. CAT mini loader for loading concentrate
15. Shotcrete machine

Starting May of 2011 when the San Gonzalo material on stockpile was depleted following the bulk sample, the process plant was used to treat old stockpiles from historic mining of the Avino Mine. These were low grade stockpiles which were originally considered marginal or waste due to low metal prices. These stock piles were treated until underground development at San Gonzalo was sufficiently advanced to provide mill feed at a sustained rate of 250 tonnes per day. On October 1, 2012, Avino made the transition to San Gonzalo mill feed and declared production had reached levels intended by management at San Gonzalo.

During the second quarter 2013 a second 250 tpd circuit ("circuit 2") in the mill was commissioned and put into operation for the processing of remaining Avino Mine surface stockpiles.

Circuit #	Operating Throughput (TPD)	Sources of Mill Feed	Operating Status
1	250	San Gonzalo Mine ("SG")	Now Online
2	250	Avino Mine Stockpiles, SG, Avino Mine*	Now Online
3	1,000	Avino Mine*	Expected in 2014

- A 250 TPD circuit ("Circuit 2") was commissioned in April 2013 and is being used to process remaining aboveground stockpiles at the Avino Mine. After the historic stockpiles have been depleted, this circuit will have the capacity to process mill feed from the San Gonzalo Mine or the Avino Mine once production activity commences.
- Circuit 1 is expected to continue to process high-grade mill feed from the San Gonzalo Mine.
- Circuit 3 is expected to begin processing mineralized material from the Avino Mine in 2014*.

**No feasibility or preliminary economic assessment has been carried out at the Avino Mine. The Company expects to achieve full production at levels intended by management without undertaking any further formal studies at this time.*

Costs Incurred to Date

The table below for the years ended December 31, 2010 to 2013 contains selected financial data prepared in accordance with IFRS derived from our audited consolidated financial statements for the periods ending on such dates. The financial data presented for 2006 to 2009 was prepared in accordance with U.S. GAAP and is not comparable to information prepared in accordance with IFRS.

	<i>Exploration and Evaluation Expenditures</i>	<i>Capital Expenditures</i>	<i>Operating and Administrative Expenses*</i>	<i>Total</i>
2006	72,208	18,331	4,014,734	4,105,273
2007	2,292,156	777,586	868,527	3,938,269
2008	1,764,719	93,492	1,575,913	3,434,124
2009	320,100	281,461	669,178	1,270,739
2010	1,839,096	324,360	1,110,643	3,274,099
2011	4,590,331	1,483,453	4,042,647	10,116,431
2012	2,387,771	946,286	1,929,746	5,263,803
2013	2,857,974	4,256,137	4,247,431	11,561,542
Total	16,124,355	8,181,106	18,458,819	42,964,280

* Operating and administrative expenses do not reflect other income or expense or other comprehensive income or loss.

Below is a table summarizing the estimated planned future costs for 2014:

Year	Operating Expenses	Capital Expenditures	TOTAL
2014	\$ 13,000,000	\$ 10,000,000	\$ 23,000,000

Mineral Reserve Estimates

There are currently no mineral reserves on the Property.

Mineral Resource Estimates

Below is a summary of current mineral resources at the San Gonzalo and Avino Mines as well as the oxide tailings resource (as reported in the July 2013 Technical Report on the Avino Property) grouped into the measured, indicated and inferred categories. The effective dates of the resource estimates are June 10, 2013 for San Gonzalo and Avino Mines, while the effective date for the Oxide Tailings is July 24, 2012, but it is still considered current.

Resource Category	Deposit	Cut-off Ag Eq*	Tonnes	Contained Metal				Grade			
				Ag_Eq	Ag	Au	Cu	Ag_Eq	Ag	Au	Cu
				(oz)	(oz)	(oz)	(t)	(g/t)	(g/t)	(g/t)	(%)
Measured	San Gonzalo System	150	71,416	914,791	759,801	3,288	N/A	398	331	1,432	N/A
Total Measured - All Deposits			71,416	914,791	759,801	3,288	N/A				
Indicated	Avino System	100	4,253,968	23,838,629	10,838,338	72,207	30,914	174.3	79.2	0.528	0.727
Indicated	San Gonzalo System	150	222,407	2,763,069	2,043,514	15,263	N/A	386	286	2,134	N/A
Total Indicated - All Deposits			4,476,375	26,601,698	12,878,852	87,470	30,914				
Inferred	Avino System	100	3,220,896	16,262,944	7,068,831	75,858	17,719	157	68.3	0.733	0.55
Inferred	San Gonzalo System	150	1,085,276	10,494,843	8,158,834	49,549	N/A	300.8	233.8	1.42	N/A
Inferred	Oxide Tailings	50*	2,340,000	N/A	6,660,000	39,530	N/A	N/A	91.3	0.54	N/A
Total Inferred - All Deposits			6,646,172	26,757,787	21,887,665	164,937	17,719				

*Ag Eq not calculated for the oxide tailings resource; cut-off in g/t Ag.

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

San Gonzalo Mine System

The San Gonzalo Mine estimate was based on data from surface diamond drill programs between 2007 and 2011 (64 holes and 14,624 metres of drilling) and underground development sampling data from levels 1, 2, 3 and 4. Modelling of this data also shows the presence of mineralization for the nearby Angelica vein and its resource estimate has been added to those of the San Gonzalo vein.

The base case scenario used in the estimation assumes a silver price of \$US20 which translates into a cut-off grade of 150 g/t silver equivalent at San Gonzalo. The current silver price analysis using US\$24.50 per ounce establishes a cut-off grade of 120 g/t for silver equivalent. Since production at levels intended by management began in October 2012, Avino has been using a cut-off grade of 120 g/t for silver equivalent.

A summary of the resource at the San Gonzalo mine using different cut-off grades is presented below:

Resource Category	Ag_Eq Cut-off	Volume (m ³)	Tonnes	Density	Metal			Grade		
					Ag_Eq (oz)	Au (oz)	Au (oz)	Ag_Eq (g/t)	Ag (g/t)	Au (g/t)
Measured and Indicated	50	163,400	426,764	2.606	4,076,578	3,124,273	20,199	297.8	228.2	1.476
	100	134,112	349,348	2.605	3,901,468	2,967,063	19,396	347.4	265.9	1.727
	120	126,688	329,323	2.599	3,830,639	2,927,804	19,150	361.8	276.5	1.809
	150	113,264	293,822	2.594	3,677,861	2,803,315	18,550	389.3	296.8	1.964
	200	89,704	231,583	2.582	3,325,495	2,528,182	16,912	446.6	339.6	2.271
Inferred	50	560,128	1,476,184	2.635	11,899,790	9,281,947	55,527	250.7	195.6	1.170
	100	512,920	1,352,356	2.637	11,615,072	9,055,601	54,289	267.1	208.3	1.249
	120	488,944	1,289,240	2.637	11,391,021	8,880,117	53,259	274.8	214.2	1.285
	150	412,200	1,085,276	2.633	10,494,843	8,158,834	49,549	300.8	233.8	1.420
	200	296,232	779,484	2.631	8,811,481	6,824,184	42,153	351.6	272.3	1.682
250	209,536	551,401	2.632	7,148,532	5,508,613	34,785	403.2	310.7	1.962	

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

San Gonzalo Mine – Resource Depletion

The mineral resource estimate at San Gonzalo does not factor in depletion from on-going mining activities. Including the bulk sample test as well as production mining during 2012 and 2013, thus far Avino has extracted 84,662 mined tonnes and 28,786 tonnes of development material for a total of 113,448 tonnes as of December 31, 2013.

Avino Mine System

The Avino Mine estimate was based on data from surface diamond drill programs between 2006 and 2012 (34 holes and 11,523 metres of drilling). Historic mining information was also provided to assist with the modelling of the deposit for the mined out open pit and underground areas as well as to project the shape of the deposit below the 12th level. The 3D wire frame model shows the presence of another mineralization zone called the “Hanging Wall Breccia” or “Cross Cutting Vein”. Its resource estimate has been included in the Avino Mine system.

A summary of the resource at the Avino mine using different cut off grades is presented below:

Resource Category	Out-off Ag Eq	Volume (m ³)	Tonnes	Density	Metal				Grade			
					Ag_Eq (oz)	Au (oz)	Cu (t)	Ag_Eq (g/t)	Ag (g/t)	Au (g/t)	Cu (%)	
Indicated	50	3,156,176	8,488,813	2.689	33,698,095	14,645,088	105,279	45,384	123.5	53.7	0.368	0.535
	80	2,113,760	5,673,771	2.684	27,938,365	12,390,900	86,867	36,874	153.2	67.9	0.478	0.650
	100	1,584,648	4,253,968	2.684	21,838,629	10,835,338	72,207	30,914	174.3	79.2	0.528	0.727
	150	883,528	2,327,430	2.695	16,205,941	7,697,377	46,408	20,369	216.6	102.9	0.620	0.875
	200	405,792	1,105,097	2.723	9,474,178	4,522,283	27,828	11,718	266.7	127.3	0.783	1.060
Inferred	50	3,316,272	8,962,925	2.709	29,258,352	12,407,216	130,031	33,978	101.3	43.0	0.450	0.378
	80	1,742,616	4,710,633	2.703	20,488,097	8,718,189	97,196	22,668	135.3	57.6	0.642	0.481
	100	1,193,320	3,220,896	2.699	16,262,944	7,068,831	75,858	17,719	157.0	68.3	0.733	0.560
	150	519,704	1,399,366	2.693	8,967,681	4,229,254	29,878	10,670	199.3	94.0	0.664	0.763
	200	204,560	552,562	2.701	4,338,265	2,289,307	7,375	5,539	244.2	128.9	0.415	1.002
250	71,344	195,258	2.737	1,802,917	1,022,743	2,284	2,197	287.2	162.9	0.364	1.125	

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

Oxide Tailings Resource

The mineral resource was estimated for the oxide tailings generated from prior historical mining operations, using ordinary kriging (OK) interpolation and uncapped grades. The assay values for this estimate are based on 28 drill holes, which were completed on the tailings by Avino Mexico in 1990, and include 407.75 m of drilling and 383 assays of both silver and gold. The entire resource is classified as an inferred mineral resource, based on the historical nature of the drilling (prior to the institution of NI 43-101 and associated quality assurance/quality control (QA/QC) requirements). Verification samples collected by Tetra Tech confirmed the presence of silver and gold mineralization at grades similar to those obtained in the original tailings drilling campaign and confirmed that the Mine’s lab assays are not materially different from those of external labs.

Method of Calculation

The Avino system and San Gonzalo system mineral resources were modelled and estimated using Datamine™ software version 3.20.6140.0. The reported mineral resource was interpolated using ordinary kriging (OK) and capped grades. Avino mineralization included the interpolation of silver, gold and copper, while San Gonzalo mineralization included the interpolation of silver and gold. Where sufficient data was available, specific gravity (SG) was estimated using OK, otherwise the average estimated value was assigned.

Reported cut-offs utilize a silver equivalent (Ag Eq) calculation where the total metal value is converted into an in situ silver resource. For reporting purposes, a base-case Ag Eq cut-off of 100 g/t is used for the Avino system and an Ag Eq cut-off of 150 g/t is used for the San Gonzalo system. Current cut-offs used for financial projections by Avino, based on recent market prices, include 80 g/t for the Avino system and 120 g/t for the San Gonzalo system.

To calculate the above silver equivalent grades, Avino has assumed a price of silver of US \$20 per oz., a price of copper of US \$3.66 per lb. with a recovery rate of 85% for copper, and a price of gold of US \$1,507 per oz., with 75% recovery rate for gold at the Avino Mine and 70% recovery rate for gold at the San Gonzalo Mine.

The oxide tailings mineral resource was estimated using Geovariance Isatis™ software and OK interpolation with uncapped grades. The assay values for this estimate are based on 28 drill holes which were completed on the tailings by Avino Mexico in 1990, and include 407.75 m of drilling and 383 assays of both silver and gold. A specific gravity of 1.605 was used based on the global average for the oxide tailings reported by Slim (2005d). For reporting purposes, a silver cut-off of 50 g/t was used; an Ag Eq value was not calculated for the oxide tailings. This mineral resource was estimated by Mr. Mike O'Brien, and has an effective date of July 24, 2012. It was originally disclosed by Tetra Tech (2012), but is considered current.

Exploration

Early Drilling (Prior to Mine Closure), 1968 to 2001

Avino Vein

Between 1968 and 2001, at least 25 diamond drill holes, ranging in length from 132.20 to 575.20 m, are reported to have been drilled from surface into the Avino vein. Included in this total are 10 holes that were drilled by Selco in 1970 when they were re-habilitating some of the old underground workings to provide access for sampling (Slim 2005d). No further information on these drill holes was available to Tetra Tech and they are not included in the resource estimate for the Avino vein.

Oxide Tailings, 1990 to 1991

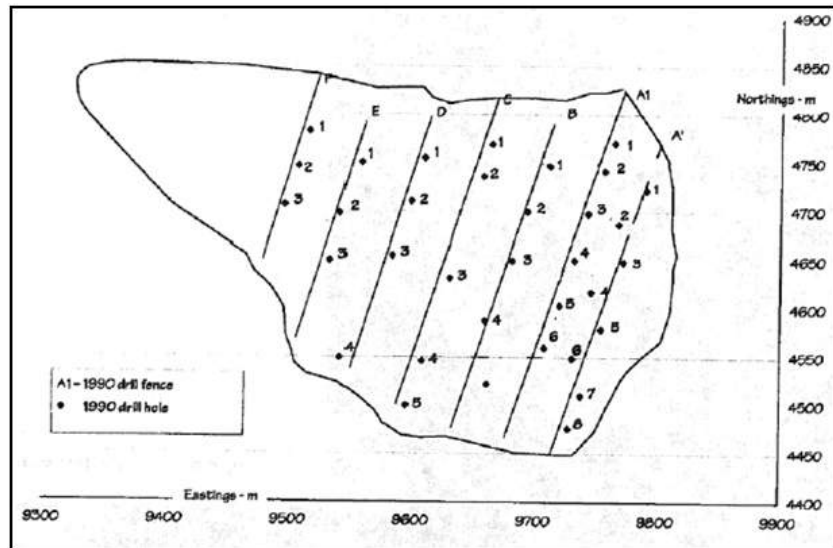
Between November 10 and December 5, 1990 and March 8 and May 30, 1991, Avino completed six trenches and 28 vertical drill holes in the tailings along 7 fences at a spacing of roughly 50 m by 50 m (Benitez Sanchez 1991). Drilling was completed transversely to the drainage pattern of the tailings. Cut at 1 m vertical increments, 461 samples were assayed for silver and gold at the mine assay lab and occasional moisture contents were reported. Assay results from these drill holes have been previously reported (Tetra Tech 2013).

Summary of 1990/1991 Holes

Hole ID	Easting (m)	Northing (m)	Elevation (m)	Assay Length (m)	Measured Length (m)
A1	570205	2712340	2,204	5.0	5.00
A2	570184	2712306	2,203	7.0	7.25
A3	570192	2712267	2,203	8.0	8.00
A4	570167	2712236	2,203	9.0	9.00
A5	570175	2712197	2,203	15.0	16.25
A6	570152	2712167	2,202	18.0	18.00
A7	570159	2712128	2,201	16.0	16.00
A8	570149	2712094	2,200	8.0	8.00
Z1*	570197	2712411	2,218	9.0	9.50
Z2*	570176	2712365	2,218	16.0	16.00
Z3*	570165	2712317	2,217	13.0	13.25
Z4*	570153	2712269	2,217	13.0	13.50
Z5*	570142	2712221	2,216	13.0	13.00
Z6*	570135	2712175	2,215	14.0	14.00
B1	570132	2712365	2,217	10.0	10.00
B2	570114	2712318	2,217	19.0	19.25
B3	570101	2712268	2,216	26.0	26.75
B4	570079	2712207	2,216	23.5	23.50
B5	570082	2712140	2,214	18.0	18.00
C1	570085	2712383	2,218	8.5	8.75
C3	570077	2712354	2,217	15.0	15.00
C4	570049	2712250	2,216	24.0	24.00
C5	570028	2712164	2,216	14.0	14.00
C6	570017	2712117	2,216	10.0	10.00
D1	570029	2712373	2,218	13.0	13.00
D2	570018	2712329	2,217	19.0	19.25
D3	570003	2712273	2,218	19.5	19.50
D4	569961	2712167	2,216	6.0	6.00
E1	569977	2712369	2,217	13.0	13.25
E2	569960	2712311	2,216	18.5	18.50
E3	569952	2712267	2,216	12.0	12.00
F1	569936	2712401	2,216	18.5	18.50
F2	569926	2712364	2,216	16.0	16.00
F3	569915	2712324	2,216	15.0	15.00

*Trenches completed on the A1-A1' section line, see figure below

Plan View of 1990 Hole Locations



Source: Slim (2005d)

Recent Drilling (Post Mine Closure), 2001 to Present

A total of 98 drill holes have been completed on the Avino and San Gonzalo veins, totalling 26,147.32 m. Additional exploration holes have been drilled elsewhere on the Property, but those drilling results are not considered material. Most holes were surveyed down hole using a Tropari single-shot magnetic instrument. Of those holes for which down hole surveys were completed, the majority contain three or fewer measurements, typically at the collar and near the end of hole, and sometimes part-way down the hole. Many holes were not surveyed to within 10 m of the end of the hole.

Geophysical Surveys: Induced Polarization (IP)

In December 2006, Avino conducted an 80 km line deep penetrating IP Survey at the property. IP geophysics helps identify drill targets. The IP Survey was completed in 2007. Avino did follow-up soil geochemical, satellite imagery and other surveys to better define targets in the covered areas.

Avino Vein (Including ET Zone) and Nearby Veins

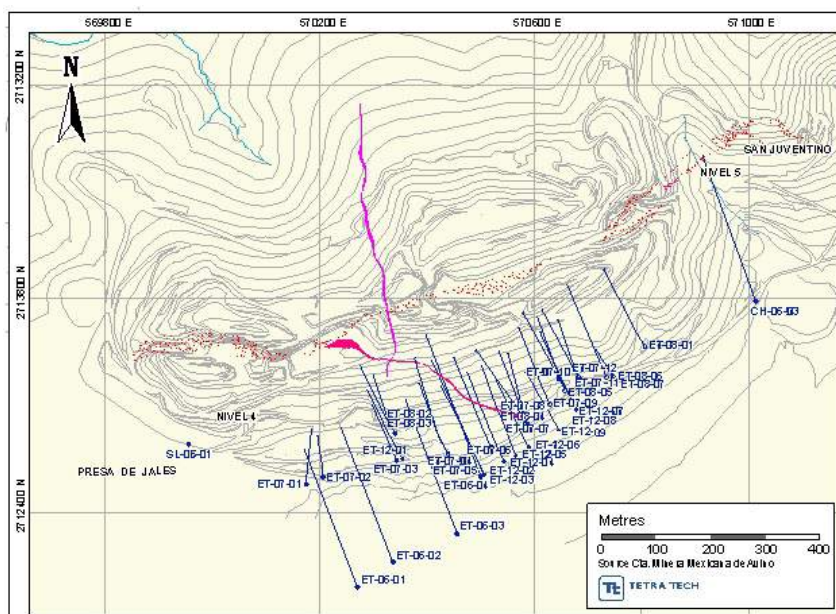
Since 2001, Avino has drilled 34 holes below Level 12, where mining ceased, for a total of 11,523.2 m of drilling. Drilling has targeted the ET Zone in particular. There were 5 holes completed in 2006 (2,166.85 m), 12 holes in 2007 (3,906.5 m), 8 holes in 2008 (2,186.7), and 9 holes in 2012 (3,263.15 m). No drilling has been completed on the Avino Vein since 2012. Assay results from all drill holes up to and including ET-12-06 have been previously reported (Tetra Tech 2012).

Tecmin Servicios, S.A. de C.V., was contracted for the 2007 and 2008 drilling programs at the ET Zone of the Avino vein. Since the Avino deposit strikes approximately east-west and dips at 60 to 70° to the south, holes are generally oriented from south to north at various bearings and dip angles in order to intersect the structure at a target depth. Holes were drilled using Avino's Longyear 44 core rig at thin wall NQ diameter.

Drillholes Completed from 2006 to 2012 on the Avino Vein

Hole ID	Azimuth (°)	Dip (°)	Depth (m)	Easting (m)	Northing (m)	Elevation (m)
CH-06-03	338	-50	453.75	571013	2712796	2,208
ET-06-01	337	-55	431.20	570271	2712262	2,187
ET-06-02	340	-50	416.70	570337	2712309	2,190
ET-06-03	339	-48	421.15	570457	2712361	2,194
ET-06-04	340	-50	444.05	570501	2712468	2,215
ET-07-01	001	-69	298.60	570176	2712453	2,222
ET-07-02	358	-75	311.90	570206	2712467	2,224
ET-07-03	336	-71	349.50	570344	2712498	2,226
ET-07-04	331	-56	318.70	570440	2712511	2,226
ET-07-05	333	-65.5	351.50	570440	2712510	2,226
ET-07-06	336	-55	320.05	570520	2712524	2,225
ET-07-07	330	-56.5	304.85	570585	2712569	2,230
ET-07-08	346	-69	399.70	570584	2712569	2,231
ET-07-09	336	-62	328.55	570629	2712604	2,235
ET-07-10	338	-62	308.65	570645	2712650	2,245
ET-07-11	337	-69	329.80	570682	2712654	2,241
ET-07-12	337	-48	284.70	570735	2712654	2,234
ET-08-01	329	-45	221.45	570807	2712712	2,236
ET-08-02	330	-54	234.50	570341	2712549	2,244
ET-08-03	333	-64	265.10	570341	2712549	2,244
ET-08-04	337	-65	358.65	570579	2712568	2,231
ET-08-05	338	-66	371.10	570658	2712629	2,240
ET-08-06	338	-59	292.45	570676	2712654	2,243
ET-08-07	343	-70	174.40	570747	2712656	2,234
ET-08-08	344	-45	269.05	570906	2712766	2,227
ET-12-01	332	-62	288.15	570354	2712501	2,226
ET-12-02	335	-53	360.90	570507	2712472	2,214
ET-12-03	335	-61	367.75	570507	2712471	2,214
ET-12-04	335	-64	373.75	570544	2712497	2,216
ET-12-05	336	-62	369.20	570566	2712508	2,218
ET-12-06	336	-70	396.10	570589	2712523	2,219
ET-12-07	336	-64	327.60	570678	2712594	2,227
ET-12-08	336	-72	384.35	570678	2712594	2,227
ET-12-09	336	-72	395.35	570646	2712555	2,222

Plan View Map Illustrating the Location of Drill Holes on the Avino Vein



San Gonzalo and Nearby Veins

At San Gonzalo, Avino drilled 40 holes in 2007 (9,222.9 m), 6 in 2008 (1,782.65 m), and 18 in 2011 (3,618.57 m), for a total of 64 drill holes and 14,624.12 m of drilling. No drilling has been completed on the San Gonzalo vein since 2011. All holes were of thin wall NQ size core diameter and were completed using Avino's Longyear 44 core rig. Additional holes also explored the nearby Guadalupe, San Juventino, San Lucerno, Mercedes, San Jorge, and Yolanda veins.

According to Gunning (2009), the collars for 2007 and 2008 drill holes were marked by concrete monuments and the collars have been surveyed. A check of the coordinates with a handheld global positioning system (GPS) revealed a possible 10 m constant error which may simply mean that all of the mine coordinates are not precisely Universal Transverse Mercator (UTM). However, this could also indicate the existence of a small surveying error on the Property.

In 2011, a total of 69 holes totalling 9,943 m were drilled principally in the following locations: San Gonzalo (18 holes), La Potosina (9 holes), Guadalupe (23 holes), San Juventino (3 holes), San Lucero (5 holes), Mercedes (1 hole), San Jorge (3 holes), Yolanda (2 holes). With the exception of the San Gonzalo vein, all of these locations are considered targets for further exploration.

Drill holes Completed from 2007 to 2011 on the San Gonzalo Vein

Hole ID	Azimuth (°)	Dip (°)	Depth (m)	Easting (m)	Northing (m)	Elevation (m)
SG-07-01	050	-60	386.80	571713	2713982	2297
SG-07-02	038	-48	323.70	571714	2713983	2297
SG-07-03	074	-43	315.00	571714	2713981	2297
SG-07-04	053	-49	312.70	571651	2714059	2276
SG-07-05	059	-69	137.00	571650	2714058	2276
SG-07-06	055	-58	387.20	571650	2714058	2276
SG-07-07	044	-44	281.55	571578	2714117	2281
SG-07-08	043	-55	383.70	571578	2714116	2281
SG-07-09	038	-45	106.60	571677	2714137	2277
SG-07-10	053	-58	162.90	571677	2714136	2277
SG-07-11	015	-49	158.60	571676	2714135	2277
SG-07-12	089	-53	175.45	571678	2714133	2277
SG-07-13	055	-49	160.55	571770	2713993	2315
SG-07-14	054	-53	295.20	571716	2713971	2297
SG-07-15	218	-49	96.20	571689	2714268	2296
SG-07-16	219	-54	99.85	571552	2714354	2285
SG-07-17	252	-55	69.80	571428	2714421	2268
SG-07-18	218	-65	238.05	571765	2714318	2293
SG-07-19	257	-66	344.90	571763	2714320	2293
SG-07-20	215	-67	247.40	571650	2714345	2281
SG-07-21	038	-53	294.00	571713	2713979	2297
SG-07-22	218	-54	232.50	572007	2714128	2343
SG-07-23	216	-70	303.45	572007	2714128	2343
SG-07-24	217	-53	124.40	571969	2714077	2351

Hole ID	Azimuth (°)	Dip (°)	Depth (m)	Easting (m)	Northing (m)	Elevation (m)
SG-07-25	216	-65	190.45	571969	2714078	2351
SG-07-26	216	-69	395.40	572033	2714172	2337
SG-07-27	218	-55	237.75	572078	2714077	2345
SG-07-28	218	-74	319.50	572078	2714078	2345
SG-07-29	221	-43	103.55	572033	2714010	2356
SG-07-30	221	-64	158.40	572034	2714010	2356
SG-07-31	218	-43	71.85	571954	2714056	2352
SG-07-32	223	-70	407.95	572122	2714135	2330
SG-07-33	211	-43	130.60	572069	2714009	2353
SG-07-34	210	-58	183.05	572069	2714010	2353
SG-07-35	211	-68	272.15	572069	2714010	2353
SG-07-36	215	-41	102.15	572050	2713959	2358
SG-07-37	219	-53	154.35	572115	2713975	2351
SG-07-38	221	-66.5	214.15	572115	2713975	2351
SG-07-39	220	-73	128.05	572120	2713898	2353
SG-07-40	220	-74	516.05	571899	2714211	2321
SG-08-01	035	-51	210.05	571776	2713974	2314
SG-08-02	215	-57	269.05	571964	2714167	2335
SG-08-03	215	-70	331.95	571964	2714168	2335
SG-08-04	215	-63	269.95	572029	2714121	2343
SG-08-05	035	-55	475.25	571701	2713893	2285
SG-08-06	048	-64	226.40	571679	2714137	2277
SG-11-01	215	-59	100.95	571981	2714009	2357
SG-11-02	215	-63	141.15	571995	2714030	2355
SG-11-03	215	-44	98.45	572020	2713994	2357
SG-11-04	212	-54	176.50	571969	2714079	2351
SG-11-05	040	-43	151.40	571892	2713832	2317
SG-11-06	189	-44	122.32	571732	2714379	2274
SG-11-07	030	-68	74.00	572030	2713946	2358
SG-11-08	037	-67	125.35	572043	2713888	2360
SG-11-09	181	-48	71.10	571585	2714366	2278
SG-11-10	201	-61	78.40	571240	2714538	2235
SG-11-11	201	-61	91.95	571329	2714397	2274
SG-11-12	218	-71	312.15	571811	2714288	2305
SG-11-13	218	-71	345.40	571847	2714258	2310
SG-11-14	209	-61	330.50	571939	2714214	2326
SG-11-15	211	-68	363.45	572030	2714172	2337
SG-11-16	209	-62	334.25	572092	2714173	2331
SG-11-17	210	-70	383.10	571836	2714336	2306
SG-11-18	218	-71	318.15	571765	2714321	2293

In January 2010, DMG began driving the first decline to the 2,260 m elevation for infrastructure work and extraction of the bulk sample. The San Gonzalo vein was intersected in May 2010 and a smaller splay vein was intersected two months later. A second decline was driven to the 2,306 m level.

By July 2010 both levels had intersected the San Gonzalo vein. The Upper Level 1 has been driven northwest along the San Gonzalo Vein and broke in to the old San Gonzalo workings. The exploration drift on the Lower Level 2 (2260 m) along the San Gonzalo vein was also advanced to the northwest towards the old San Gonzalo workings.

On October 6, 2010, the two levels were connected with the completion of the first raise allowing the start of stoping (cut and fill) for the bulk sample. By January 2011, development for the extraction of the 10,000 tonne bulk sample was completed by the mining contractor DMG; processing of the bulk sample began shortly afterwards.

In July 2012, the results from the 10,000 tonne bulk sample program at San Gonzalo were announced. The bulk sample was intended to allow the Company to assess the economics of the zone by confirming mineral grades obtained through earlier diamond drilling. The results were released after a comprehensive review of the data and discussions with engineers. The bulk sample program was completed during the first quarter of 2011 and the Company sold 188 tonnes of the San Gonzalo bulk concentrate for net proceeds of US\$1.83 million. In April 2012, the Company sold the balance of the San Gonzalo concentrate.

The results are based on the metallurgical balances provided below:

	Weight	Assay (g/t)		Contents (kg)		Contents (oz's)		Recovery (%)	
	Tonnes	Au	Ag	Au	Ag	Au	Ag	Au	Ag
Feed	10,519*	0.9	261	99.35	2,746.75	300.9	88,311.70	100	100
Concentrate	232	23.8*	8,998*	55.52	2,087.53	177.5	67,116.90	59	76
Tail	10,287	0.4	64	33.83	659.22	123.4	21,194.80	41	24

* These figures have been reconciled to the weighed feed tonnage and the final concentrate assays of the paid shipment. They also have been rounded for clarity.

The overall bulk sample feed grade was 261g/t Ag and 0.9g/t Au. Silver and gold recoveries were 76% and 59% respectively and 232 dry tonnes of flotation concentrate were produced of which 188 tonnes were sold for net proceeds of US\$1.83 million. If the entire production were sold under the same contract terms, the net proceeds would have been US\$2.26 million.

Evaluation costs relating to mining, milling, and overhead for the bulk sample program US\$567,045 or US\$7.62 per ounce silver equivalent. Included in these amounts are costs for the raises and stopes. Cost per tonne produced were \$53.91 and proceeds on 188 tonnes of concentrate sold of US \$1.83 million. (The contract prices per ounce of silver and gold were US\$36.75 and US\$1,511.31 respectively.)

No formal feasibility study was commissioned after bulk sampling program.

Tailings Resource – Preliminary Economic Assessment

In 2012 a Technical Report* on the Avino Property was published which focused on the oxide tailings resource. The study factored in metals prices of US\$1,271 oz gold and US\$20.59 oz silver for a base case analysis of the project as well as a spot price analysis using US\$1,622.20 oz gold and US\$28.36 oz silver. Cyanide heap leach tests undertaken in the study produced recoveries of: 68% for silver, 82% for gold or 78% for silver, 87% for gold if the material is first re-ground at the mill and then leached in tanks. The Technical Report is a preliminary economic assessment and should not be considered a prefeasibility or feasibility study, as the economics and technical viability of the oxide tailings have not been demonstrated at this time. The above preliminary economic assessment is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to apply economic considerations that would allow for categorization as mineral reserves. Furthermore, there is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

This tailings mineral resource will be mined through surface methods and without blasting. A truck/front-end loader arrangement will be used and will operate one 8 hour shift per day, 365 days per year for the 4.7-year life of this Project. Initially the oxide tailings, which are at the bottom of the pile, will be processed without having to move the sulphide tailings, which covers only a portion of the oxide tailings. Not all of the sulphide tailings need to be removed to gain access to the oxide tailings. Approximately 0.5 million tonnes of oxide tailings will be sent to the heap leach pad annually.

Metal Production

Total Tonnes to Mill	2,340,000
Annual Tonnes to Mill	500,000
Mine Life	5 years
Average Silver Grade (g/t)	91.30 g/t
Average Gold Grade (g/t)	0.54 g/t
Total Silver Production (oz)	4,814,000
Total Gold Production (oz)	31,000
Average Annual Silver Production (oz)	1,028,860
Average Annual Gold Production (oz)	6,580

Economics

	Base Case	Spot Price Case
Gold Value (US\$)	\$ 1,256	\$ 1,622
Silver Value (US\$)	\$ 20.38	\$ 28.36
IRR	54.4%	92%
Payback period	1.6 years	1.1 years
NPV (US\$'000) 8% discount rate	\$ 38,647	\$ 74,186

A preliminary economic assessment should not be considered a prefeasibility or feasibility study, as the economics and technical viability of the Project have not been demonstrated at this time. The above preliminary economic assessment is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to apply economic considerations that would allow for categorization as mineral reserves. Furthermore, there is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. This assessment is preliminary in nature as it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. At this time there is no certainty that the preliminary assessment and economics will be realized.

* *Data disclosed in July 25th, 2012 technical report by Tetra Tech: A Technical Report on the Avino Property. Michael O'Brian, M.Sc., Pr.Sci.Nat, FGSSA, FAuIIM, FSAIIM, Hassan Ghaffari, P.Eng., Jacques Ouellet, P.Eng., Ph.D., Monica Danon-Schaffer, Ph.D, P.Eng., Sabry Abdel Hafex, Ph.D., P.Eng and Wayne Stoyko, P.Eng., are the Qualified Persons, as defined under National Instrument 43-101, who supervised and are responsible for the Technical Report on the Avino Property.*

Reclamation

A mine closure plan and reclamation will be required for the Project. The mine closure plan should include information such as:

- justification for the closure plan considering technical, environmental and legal aspects;
- objectives and how they will be met;
- photo evidence and details of the environmental situation prior to commencing closure activities;
- schedule of activities;
- the progressive reclamation of the site during the life of the operation;
- the design of tailings disposal areas;
- the reclamation and re-vegetation of the surface disturbances wherever practicable;
- a cost estimate of the work required to close and reclaim the mine; and
- a plan for ongoing and post-closure monitoring and reporting at the site.

No cost estimates have been generated at this time to ensure the project meets the environmental requirements once the processing of the heap material has been terminated.

As per Federal regulations, under LGEEPA, both the SEMARNAT and PROFEPA ministries require Avino to present in its first semi-annual report for a General Plan to Remediate the Site dates, activities, techniques, costs that will guarantee restoration of affected areas, considering complete reforestation of impacted sites, removal of foundations and infrastructure that is no longer useful, roads that no longer have any use, remove all rubbish and properly dispose of, closing off adits that are no longer needed and restoration of the tailings facility when its operational life is finished. Avino will also need to present a reforestation program for the entire surface area affected during mining operations. This program will include caveats to safeguard flora and fauna.

Eagle Property – Not Active

Ownership. The wholly owned Eagle property was acquired in 2003 when Avino purchased a 100% interest in 14 quartz leases by issuing 200,000 common shares at a price of \$0.50 per share for total consideration of \$100,000. The property was written down to a nominal value of \$1 in fiscal 2006 by a charge to operations of \$103,242 and currently has a deferred value of \$1.

Property Description and Location. The 516 ha property is located in the Yukon Territory roughly 38 kilometres northeast of Mayo and 350 kilometres due north of the capital of Whitehorse. It is currently in its Phase I stage of exploration. The property is accessed by a road. Whitehorse, the nearest major city, is approximately 380 kilometres to the south of the village of Mayo. The village of Mayo is 60 kilometers to the southeast of Keno City. The Eagle property lies on the south-east facing slope of Galena Hill where the elevations range from about 1350 m to 1540 m. Permafrost, while thin to non-existent in places, is reported to be found under accumulations of surface rubble left from glaciation.

Avaron Mining Corp. Option Agreement. In January 2012, Avino entered into an option agreement with Avaron Mining Corp. (“Avaron”), whereby Avaron can earn the exclusive right and option to acquire a 100% title and interest in the Eagle Property.

To earn a 75% interest in the Eagle Property, Avaron must:

- Incur Exploration Costs totaling \$7.1 million over five years;
- Make total cash payments of \$375,000 over five years to Avino; and
- Issue a total of 800,000 common shares of Avaron over five years to Avino.

After earning a 75% interest, Avaron may either elect to form a Joint Venture with Avino, or has the following two options to earn the remaining 25% interest:

Option 1. Avaron may elect within the next six months to place the property into production and commence production at levels intended by management within 3 years, subject to a 2.5% Net Smelter Returns royalty and a minimum \$200,000 annual advance royalty payment payable for 5 years or until production begins; or

Option 2. If Avaron does not elect to place the property into production, Avaron must pay \$100,000 annual advance royalty payments and issue 250,000 common shares to Avino on or before each of the sixth and seventh anniversaries of January 3, 2012, and at its sole expense complete drilling of an additional 10,000 metres in depth on the Property or incur an additional \$2,000,000 in exploration costs in lieu of such drilling on or before the seventh anniversary of January 3, 2012.

In November 2012, Avino entered into an amending agreement dated November 22, 2012 to amend the option agreement dated January 3, 2012 (the “Option Agreement”) with Avaron, whereby Avaron was required to issue an extra 100,000 common shares to Avino in order to move the first anniversary cash payment and work commitment back for one year.

Concurrently, Avino, Avaron and Benz Capital Corp. (“Benz”) entered into an Option Purchase and Assignment Agreement dated November 30, 2012 (the “Purchase Agreement”), whereby Benz may acquire all of Avaron’s interest in the Option Agreement pursuant to which Avaron has the option to acquire from Avino up to an undivided 100% interest in the Eagle Property. Avino agreed to provide the consent to the Purchase Agreement for 50,000 common shares from Benz.

Proposed Work Program. The Company does not propose to conduct any work at the Eagle property since it is subject to an option agreement with Avaron.

Olympic-Kelvin Property – Not Active

Ownership. The Olympic-Kelvin property is wholly owned by the Company and was acquired in 1987 when it acquired a 100% interest in 20 reverted Crown-granted mineral claims, one located mineral claim and three fractions located in the Lillooet Mining Division of British Columbia. The property was written down entirely in fiscal 2002. During the fiscal year ended January 31, 2007, these original mineral claims and fractions were converted into six claims encompassing all of the original claims. The Company recommenced exploration of the property in fiscal 2004 and ceased exploration activities in fiscal 2006. During the fiscal year ended December 31, 2009, the Company wrote down the value of these exploration costs to a nominal value of \$1 by an impairment charge to operations of \$163,466. The Company will maintain these claims in good standing and may decide to commence exploration again on the Olympic-Kelvin Property. However, the current focus of the Company is on its exploration activities in Mexico.

Property Description and Location. The Olympic-Kelvin property totals approximately 662.5 hectares and is located on the south side of Carpenter Lake, five kilometers northeast of Goldbridge in the Lillooet Mining Division, British Columbia.

The Olympic-Kelvin property is easily accessible by the all-weather, publicly maintained, Gray Rock logging road which runs northeast from Goldbridge. Access on the Olympic-Kelvin property is possible on a number of cat trails built by the Company and previous operators.

The Olympic-Kelvin property covers rocks of the Pioneer Formation and Bridge River Terrane. These rocks are cut by northwest trending regional scale structures sub-parallel to the Ferguson and Cadwallader Structures. The structures on the Olympic-Kelvin property are roughly the same distance from the Upper Cretaceous-Tertiary granitic Bendor Intrusions as the Bralorne/Pioneer mines. A similar flexure is present in the northwest trending structures on the Olympic-Kelvin property. These structures on the property are mineralized with silver and gold and have received considerable past work, including at least four adits.

Proposed Work Program. No further work is proposed at this time.

Minto Property – Not Active

Ownership. The Minto Property is wholly owned by the Company and was acquired in early 1985 when it acquired its 100% interest in eight Crown granted mineral claims, eight reverted crown government granted mineral claims and one located mineral claim, situated in the Lillooet Mining Division of British Columbia. During the January 31, 2007 year end these mineral claims were converted into one claim encompassing all of the original claims. The property was written down to a nominal value of \$1 in fiscal 2002. The Company recommenced exploration of the property in fiscal 2006 and ceased exploration activities in fiscal 2007 and during the 2009 year end wrote down the value to a nominal amount of \$1 by an impairment charge to operations of \$256,800. The Company will maintain these claims in good standing and may decide to commence exploration again on the Minto Property. However, the current focus of the Company is its exploration activities in Mexico.

Property Description and Location. The Minto Property is situated about ten kilometers east of Goldbridge in the Bridge River gold district of British Columbia and adjoins the Olympic-Kelvin Property. The property covers approximately 204 hectares. The claims occupy the lake bed and north side of Carpenter Lake. Access from Goldbridge is made via an all-weather gravel road which skirts the north shore of Carpenter Lake.

Gold Bridge can be reached from Vancouver via Hope and Lillooet, a distance of 445 kilometers, or via Pemberton using the four-wheel-drive Hurley Pass route, a distance of 225 km.

The terrain is rugged, typical of the eastern margin of the Coast Range Mountains. The claim group ranges in elevation from 650 meters on Carpenter Lake to a maximum of 1020 meters.

The climate of the Bridge River District is transitional between humid coastal belt and more arid interior plateau. Annual precipitation is modest with a significant proportion falling as snow in the winter. Summers tend to be warm to hot depending on the altitude, and winters are moderately cold.

Proposed Work Program. No further work program has been proposed.

El Laberinto Property – Not Active

Ownership. Avino is, directly or through its wholly-owned Mexican subsidiary Compañía Minera Mexicana de Avino, S.A. de C.V., a Mexican corporation, the sole legal and beneficial owner of 100% of the rights, title and interest in and to the El Laberinto Property located in Durango State, Mexico.

Property Description and Location. The El Laberinto property is situated 60 kilometres NE of Durango, Mexico and 25 kilometres west of Avino's main mine. It occurs in the Sierra La Silla (hills) which form part of a large volcanic caldera which also contains Avino's main holdings. The Sierra La Silla area contains many silver, gold, lead, zinc and copper veins similar to those at Avino which are also situated in the lower volcanic Andesite sequence.

History. El Laberinto is a small property today and is a remnant of a much larger land package in the area once controlled by Avino.

During 1995 Avino mapped the La Silla area and sampled the principal veins. Avino had assembled the land package in the district in search of another Avino main vein.

Avino drove an adit on the Veta Grande ("Big Vein") in late 1995. Values of silver and gold were sub-economic. The adit was stopped at a length of approximately 300 metres before it reached the main shoot described in the 1995 report. Three holes were drilled below the adit, for which assays are unavailable.

Avino does not consider that the Big Vein has been adequately explored to date. Although the adit showed low values, it did not reach the principal shoot and was likely too high on the vein structure.

In July 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 El Laberinto property, consisting of approximately 91.7 hectares. In order to exercise the option, Endeavour must pay up to US \$200,000 in annual installments over 4 years to Avino in option payments, and incur up to US\$3 million in exploration work on the El Laberinto property over the next 4 years.

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.

Proposed Work Program. In light of Endeavour's option on the El Laberinto property, the Company does not anticipate spending funds on the property.

Other Properties (Durango, Mexico) – Not Active

Avino also has mineral rights for 5 other properties in the Durango State of Mexico, described below:

The El Hueco property, located near Silver Standard's Pitarilla mine close to the town of Santiago Papasquiaro is comprised of 5 adjoining concessions and covers approximately 1312.42 hectares. Avino assembled the land package between 1999 and 2005.

The Ana Maria property, located near Gomez Palacio, consists of 9 adjoining concessions and covers approximately 2545 hectares. Avino assembled the land package in 2001 and 2002.

The La Potosina, El Fuerte and Aranjuez concessions, used to be contiguous with the Avino Mine property where the bulk of the work has been taking place, but claims in between these mining concessions and the Avino Mine property have been dropped.

Avino considers these properties to be of merit, but has no current plans for exploration and development at this time.

Item 4A. Unresolved Staff Comments

Not Applicable.

Item 5. Operating and Financial Review and Prospects

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the information contained in the Company's annual audited consolidated financial statements and the notes thereto for the years ended December 31, 2013, 2012 and 2011 included in this annual report on Form 20-F. Such discussion and analysis is based upon our annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") for the years ended December 31, 2013, 2012 and 2011.

For all periods up to and including the year ended December 31, 2010, we prepared our consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The annual audited consolidated financial statements for the year ended December 31, 2011 were our first annual consolidated financial statements that were prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

A. Operating Results – San Gonzalo Mine

The fiscal year ended December 31, 2012 saw Avino transition from an exploration stage to a production stage company. On October 1, 2012, the Company declared production at levels intended by management had been achieved at the San Gonzalo mine. Results from the first 5 quarters of operations are reported in the table below:

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	2013 Total
Total Mill Feed (dry tonnes)	19,354	19,351	19,988	19,723	19,539	78,415
Average Daily Throughput (tpd)	225	217	227	229	222	225
Days of Operation	86	89	88	86	88	349
Feed Grade Silver (g/t)	280	282	280	309	259	288
Feed Grade Gold (g/t)	1.49	1.366	1.218	1.29	1.04	1.34
Bulk Concentrate (dry tonnes)	617	610	636	568	538	2,431
Bulk Concentrate Grade Silver (kg/t)	7.44	7.46	7.28	8.72	7.44	7,704
Bulk Concentrate Grade Gold (g/t)	35	32.2	28.1	31.4	26.33	31.6
Recovery Silver (%)	85	83	83	81	79	83
Recovery Gold (%)	75	74	73	70	70	73
Mill Availability (%)	93.9	95.1	96.4	95.5	94.4	95.2
Total Silver Produced (kg)	4,588	4,548	4,634	4,960	4,000	18,732
Total Gold Produced (g)	21,575	19,604	17,849	17,875	14,161	76,904
Total Silver Produced (oz) calculated	147,516	146,215	149,004	159,582	128,607	602,233
Total Gold Produced (oz) calculated	693	630	574	574	455	2,473
Total Silver Equivalent Produced (oz)	192,604	187,184	180,567	191,107	151,372	751,462

During Q3 & Q4 2013, silver equivalent was calculated using a 65:1 ratio of silver to gold. Silver equivalent for Q2 2013 and for Q1 2013 was calculated using a 55:1 ratio of silver to gold. For Q4 2012, a 50:1 ratio of silver to gold was used in the calculation. (The ratio was changed to reflect more current silver and gold prices.) Mill production figures have not been reconciled and are subject to adjustment with concentrate sales. Year-to-date and calculated figures may not add due to rounding.

Avino Mine Stockpiles

During the first three quarters of 2012, Avino processed material left from past mining of the main Avino vein. The historic stockpiles had been left on the surface in various locations across the property making delivery for processing easy and cost efficient. The stockpiles provided Avino an opportunity to generate cash flow while tuning the mill and continuing underground advancement and mining at San Gonzalo. During this period, the Company was considered an exploration stage company, therefore the proceeds from the sale of this concentrate were charged as a reduction of exploration and evaluation assets and exploration costs; all concentrate produced during the period was sold. Quarterly output results from this project are as follows:

2012 Quarter	Source of Mill Feed	Feed Material Processed (tonnes)	Concentrate Produced (tonnes)	Ag oz Produced (calculated)	Au oz Produced (calculated)	Ag Eq oz Produced* (calculated)
Q1	Historic Stockpiles	14,600	176	17,875	220	28,875
Q2	Historic Stockpiles	16,900	134	14,129	180	23,129
Q3	Historic Stockpiles	20,015	323	31,024	381	50,074
Total	Historic Stockpiles	51,515	633	63,028	781	102,078

*: Silver equivalent was calculated using a 55:1 ratio for silver to gold. Mill production figures have not been reconciled and are subject to adjustment with concentrate sales. Year-to-date and calculated figures may not add up due to rounding.

In Q4 2012 and Q1 2013, there was no output from the stockpiles. In April 2013, Avino commissioned a second 250 tpd circuit at the processing facility and began processing the remaining above ground Avino Mine stockpiles. Results from the first 3 quarters of operations are presented below:

Avino Mine Stockpiles	Q4 2013	Q3 2013	Q2 2013	2013 Total
Total mill feed – (dry tonnes)	19,576	18,279	16,281	54,136
Days of Operation	86	87	78	251
Feed grade Silver - g/t	92	84.23	78.95	85
Feed grade Gold - g/t	0.94	0.773	0.779	0.83
Bulk concentrate – (dry tonnes)	226	210	200	636
Bulk Concentrate Grade Silver (kg/t)	5.13	4.803	4.062	4.687
Bulk Concentrate Grade Gold (g/t)	43.8	35.479	32.964	37.66
Recovery Silver (%)	64	65.5	63.3	74
Recovery Gold (%)	54	52.7	52.1	61
Mill availability (%)	93.3	89.24	90.07	90.9
Total Silver Produced (oz) <i>calculated</i>	37,244	32,436	26,162	95,482
Total Gold Produced (oz) <i>calculated</i>	318	239	212	770
Total Silver Eq. Produced (oz) <i>calculated</i>	57,929	48,010	37,839	143,778

During the Q3 & Q4 2013 silver equivalent was calculated using a 65:1 ratio for silver to gold. Silver equivalent for Q2 2013 was calculated using a 55:1 ratio for silver to gold. (The ratio was changed to reflect more current silver and gold prices.) Mill production figures have not been reconciled and are subject to adjustment with concentrate sales. Year-to-date and calculated figures may not add due to rounding.

Developments for 2012 and 2013

Exploration - Avino Mine

In February 2012, a new long-term royalty agreement was signed to grant Avino mining rights to the main Avino vein. Mining activities were suspended on the Avino vein in 2001 due to low metals prices and the closure of a key smelter. Shortly after signing the new royalty agreement, the Company initiated an exploration program to further define remaining resources. The 2012 drill program, which totalled 3,263 metres through 9 holes, was used to form the basis for the current mineral resource estimate below level 12 which was published in July 2013.

Development – Avino Mine

To resume underground development of the Avino mine, the existing underground workings must first be dewatered. During the year, construction of a water treatment plant and water testing was completed. By year end, the water level had receded down to level 9.5 of the mine. Mexican authorities have granted permission to the Company to de-water the mine without requiring a formal permit. Avino is required to submit quarterly reports logging the chemical content of the water being pumped from the underground workings. Once the water is treated it will be discharged to the El Caricol dam on the property and used for milling as well as for irrigation of local farms. Dewatering is expected to reach the bottom of the flooded area in early 2014 with operations expected to resume later in the year.

A review of the underground workings by mine personnel above the water level is also taking place to identify potential mining areas for mill feed; this represents part of the exploration program aimed at reopening the ET (Avino) mine.

Mill Expansion

In the fourth quarter of 2012, Avino began to re-furbish a second 250 tpd circuit ("circuit 2") to process remaining historic aboveground stockpiles left from past mining of the main Avino Vein. The circuit was completed in April 2013, see the operating results section above for more details. After the historic stockpiles have been depleted, the new circuit will have the ability to process additional mill feed from the San Gonzalo and Avino Mines as they are developed at depth.

Financing

In January 2013, the Company completed a credit facility with Caterpillar Finance for up to US \$5 million. The financing will help Avino advance its current operations at San Gonzalo and reopen the old Avino Mine. The credit facility bears interest at rates ranging from 0% to 4.95% per annum. Equipment leased under the credit facility has terms of 18 months to 60 months. These terms are dependent on the Company's requirements and equipment acquired. With the credit facility in place, the Company has acquired several key pieces of mining equipment including: a new Caterpillar 420F Backhoe loader, Caterpillar R1600 Scoop tram and an Oldenburg underground rock drill. This equipment represents roughly one third of the credit facility

Results of Operations

The review of the Company's financial results is based on the fiscal years ended December 31, 2013 and 2012.

Twelve months ended December 31, 2013 compared with the twelve months ended December 31, 2012:

Revenues

Revenues for the year ended December 31, 2013 were \$16,094,701. Revenues relate to the sale of silver and gold bulk concentrate produced from the San Gonzalo Mine and from processing Avino stockpiles. Revenues for the comparable year were \$2,255,376. Revenues for the comparable year were lower as there was only 2 months of production available for sale. Further, revenues for the current year reflect concentrate sales from the Avino stockpiles which commenced in April 2013, and there were no such sales in the comparable year. During the year ended December 31, 2013, the Company produced 3,067 tonnes and sold 3,120 tonnes of bulk silver/gold concentrate for a gross profit of \$7,126,292. Metal prices for revenues recognized during the year, weighted by dollar of revenue recognized averaged US\$22.59 per ounce of silver and US\$1,342 per ounce of gold.

Prior to the achievement of production at levels intended by management at San Gonzalo on October 1, 2012, the Company's processing facility was used to process historic stockpiles remaining from the previous operation that had accumulated prior to 2002.

Operating and administrative expenses

Operating and administrative expenses were \$4,247,431 for the year ended December 31, 2013 compared to \$1,929,746 for the year ended December 31, 2012, an increase of \$2,317,685. The increase is comprised of an increase of \$643,268 and \$214,273 in salaries and benefits and office and miscellaneous expenses respectively due to an increase in production activities. The Company also recorded an increase in share-based payments of \$889,954 as there were 650,000 options issued during the year. These increases were marginally offset by a decrease of \$52,089 in investor relations expenses due to a decrease in marketing initiatives.

Earnings (loss) for the year

The earnings for the year ended December 31, 2013 were \$848,212 compared with a loss of \$1,263,178 for the year ended December 31, 2012, an increase \$2,111,390. Due to recently enacted changes in tax laws in Mexico, the company recorded a non-cash deferred income tax expense of \$2,518,453.

B. Liquidity and Capital Resources

During the year ended December 31, 2013, the Company incurred expenditures relating to its Mexican properties of \$901,912 not including foreign exchange movements of \$216,040. These costs were incurred to explore and refurbish the Avino Mine. The Company also acquired property, plant and equipment of \$3,315,192, not including foreign exchange movements of \$342,780. The Company is now in production at levels intended by management and earned operating revenues of \$16,094,701 compared to \$2,255,376 in 2012.

The Company's cash and cash equivalents at December 31, 2013 totaled \$3,839,595 compared to \$4,035,985 at December 31, 2012, while working capital totaled \$5,950,740 compared to \$5,363,372 for the same dates respectively. At December 31, 2013, the Company had current liabilities of \$2,196,172 (2012 - \$1,476,681). Accounts payable have contractual maturities of approximately 30-90 days or are due on demand and are subject to normal trade terms. Amounts due to related parties are without stated terms of interest or repayment. Income taxes are due within 12 months.

In February 2014, the Company raised US\$5,741,668 and US\$5,000,000 through a brokered public offering and an at the market public offering respectively. The gross proceeds of US\$10,741,668 will be used to advance the Avino Mine project and for working capital.

C. Research and Development, Patents and Licenses, etc.

As the Company is a mineral exploration company with no research and development, the information required by this section is not applicable.

D. Trend Information

As at the time of filing this Annual Report and as otherwise disclosed in this Annual Report, the Company is not aware of any specific trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition. Many factors that are beyond the control of the Company can affect the Company's operations, including, but not limited to, the price of minerals, the economy on a global scale, land and exploration permitting, and the appeal of investments in exploration companies. The appeal of exploration companies as investment alternatives could affect the liquidity of the Company and thus future exploration, development and financial conditions of the Company. Other factors such as retaining qualified mining personnel and contractor availability and costs could also impact the Company's operations.

E. Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

As at December 31, 2013, the Company had the following contractual obligations:

	<i>Payment due by period</i>				
	<i>Total</i>	<i><1 year</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>More than 5 years</i>
<i>Trade payables and other payables</i>	\$ 1,610,327	\$ 1,610,327	-	-	-
<i>Minimum rental and lease payments</i>	688,344	254,017	341,932	22,896	69,499
<i>Finance lease obligations</i>	1,676,821	585,844	983,249	107,728	-
<i>Deferred tax liabilities</i>	4,884,130	-	-	-	4,884,130
<i>Total</i>	<u>\$ 8,859,622</u>	<u>\$ 2,450,188</u>	<u>\$ 1,325,181</u>	<u>\$ 130,624</u>	<u>\$ 4,953,629</u>

G. Safe Harbor

Certain statements in this Annual Report, including those appearing under this Item 5, constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Additionally, forward-looking statements may be made orally or in press releases, conferences, reports, on our website or otherwise, in the future, by us or on our behalf. Such statements are generally identifiable by the terminology used such as “plans”, “expects”, “estimates”, “budgets”, “intends”, “anticipates”, “believes”, “projects”, “indicates”, “targets”, “objective”, “could”, “may”, or other similar words.

The forward-looking statements are subject to known and unknown risks and uncertainties and other factors that may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, among others: market prices for metals; the results of exploration and development drilling and related activities; economic conditions in the countries and provinces in which we carry on business, especially economic slowdown; actions by governmental authorities including increases in taxes, changes in environmental and other regulations, and renegotiations of contracts; political uncertainty, including actions by insurgent groups or other conflict; the negotiation and closing of material contracts; and the other factors discussed in *Item 3D: Key Information – Risk Factors*, and in other documents that we file with the SEC. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors; our course of action would depend upon our assessment of the future considering all information then available. In that regard, any statements as to future production levels; capital expenditures; the allocation of capital expenditures to exploration and development activities; sources of funding of our capital program; drilling; expenditures and allowances relating to environmental matters; dates by which certain areas will be developed or will come on-stream; expected finding and development costs; future production rates; ultimate recoverability of reserves; dates by which transactions are expected to close; cash flows; uses of cash flows; collectability of receivables; availability of trade credit; expected operating costs; expenditures and allowances relating to environmental matters; debt levels; and changes in any of the foregoing are forward-looking statements, and there can be no assurances that the expectations conveyed by such forward-looking statements will, in fact, be realized.

Although we believe that the expectations conveyed by the forward-looking statements are reasonable based on information available to us on the date such forward-looking statements were made, no assurances can be given as to future results, levels of activity, achievements or financial condition.

Readers should not place undue reliance on any forward-looking statement and should recognize that the statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described above, as well as others not now anticipated. The foregoing statements are not exclusive and further information concerning us, including factors that could materially affect our financial results, may emerge from time to time. We do not intend to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following is a list of the Company's directors and senior management as at April 16, 2014. The directors are elected for a term of one year at the annual meeting of shareholders. This year's annual meeting will be held on June 27, 2014.

<i>Name and Present Position with the Company</i>	<i>Principal Occupation</i>	<i>Director/Officer Since</i>
Michael Baybak Director	A business consultant.	June 1990
Gary Robertson Director	Certified Financial Planner, Director of Bralorne Gold Mines Ltd., Coral Gold Resources Ltd., Levon Resources Ltd., Great Thunder Gold Corp. and Sage Gold Inc.	August 2005
David Wolfen Director/President/CEO	President and CEO of Avino Silver & Gold Mines Ltd. Also, Director and VP Finance of Berkley Resources Inc., President and Director of Coral Gold Resources Ltd. and Gray Rock Resources Ltd. and Director of Bralorne Gold Mines Ltd., Great Thunder Gold Corp. and Cresval Capital Corp.	October 1995
Andrew Kaplan Director	A business consultant, Director of Coral Gold Resources Ltd.	September 2011
Jasman Yee Director	Metallurgical Engineer	January 2011
Dorothy Chin Corporate Secretary	Also, Corporate Secretary of Bralorne Gold Mines Ltd., and Levon Resources Ltd.	September 2008
Malcolm Davidson Chief Financial Officer	Chartered Accountant, Chief Financial Officer of Avino Silver & Gold Mines Ltd; Also Chief Financial Officer of Coral Gold Resources Ltd., Gray Rock Resources Ltd., and Avaron Mining Corporation	March 2012

B. Compensation

During the last completed fiscal year of the Company, the Company had two executive officers, namely, David Wolfen, Chief Executive Officer; and Malcolm Davidson, Chief Financial Officer.

1) Compensation Discussion and Analysis

The Company does not have a compensation program other than paying base salaries, incentive bonuses, and incentive stock options to its executive officers. The Company recognizes the need to provide compensation package that will attract and retain qualified and experienced executives, as well as align the compensation level of each executive to that executive's level of responsibility. The three components of the compensation package are included to enable the Company to meet different objectives. The objectives of base salary are to recognize market pay, and acknowledge the competencies and skills of individuals. The objective of incentive bonuses (paid in the form of cash payments) is to add a variable component of compensation to recognize corporate and individual performances for executive officers and employees. The objectives of stock option awards are to reward achievement of long-term financial and operating performance and focus on key activities and achievements critical to the ongoing success of the Company. Implementation of new incentive stock option plans and amendments to the existing stock option plan are the responsibility of the Company's Compensation Committee.

The compensation of the executive officers is reviewed and recommended for Board approval by the Company's Compensation Committee. Although the Board has not formally evaluated the risks associated with the Company's compensation policies and practices, the Board has no reason to believe that any risks that arise from the Company's compensation policies and practices are reasonably likely to have a material impact on the Company.

The members of the Compensation Committee are Gary Robertson (Chair), Michael Baybak, Jasman Yee and Andrew Kaplan, all of whom are independent, except for Jasman Yee, applying the definition set out in Section 1.4 of NI 52-110 since he provided consulting services to the Company. See "*Corporate Governance – Compensation Committee*" for a discussion of the role and responsibilities of the Compensation Committee. Mr. Yee is, however, deemed, an independent director under the rules of the NYSE MKT.

The general objectives of the Company's compensation strategy are to:

- (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long term shareholder value;
- (b) align management's interests with the long term interests of shareholders;
- (c) provide a compensation package that is commensurate with other comparable companies to enable the Company to attract and retain talent; and
- (d) ensure that the total compensation package is designed in a manner that takes into account the Company's present stage of development and its available financial resources. The Company's compensation packages have been designed to provide a blend of a non-cash stock option component and a reasonable salary. In addition, extraordinary efforts which enhance shareholder value are rewarded with cash bonuses.

Other than discussed above, the Company has no other forms of compensation. Payments may be made from time to time to individuals or companies that they control for the provision of consulting services which may be deemed a form of compensation. Such consulting services are paid for by the Company at competitive industry rates for work of a similar nature by reputable arm's length services providers.

Actual compensation will vary based on the performance of the executives relative to the achievement of goals and the price of the Company's securities.

Compensation Element	Description	Compensation Objectives
Annual Base Salary	Salary is market-competitive, fixed level of compensation	Retain qualified leaders, motivate strong business performance.
Incentive Bonuses	Discretionary cash payment	Reward individual performance in achieving corporate goals
Incentive Stock Option	Equity grants are made in the form of stock options. The amount of grant will be dependent on individual and corporate performance.	Reward long-term financial and operating performance and align interests of key employees with those of shareholders

The Company relies on the discretion and judgment of the directors in establishing and amending contracts for all forms of compensation, including stock options to be granted to the CEO and the directors, and for reviewing the CEO's recommendations respecting compensation of the other officers of the Company, to ensure such arrangements reflect the responsibilities and risks associated with each position. There is no formal process using objectives, criteria, or analysis, for determining compensation. When determining the compensation of its officers, the Compensation Committee and the Board are guided by the general objectives of the Company's compensation strategy as set out above.

2) **Summary Compensation Table**

The following table sets forth particulars concerning the compensation paid or accrued for services rendered to the Company in all capacities during the most recently completed financial year ended December 31, 2013 of the Company to its executive officers:

Name and principal position	Year	Salary (\$)	Share-based awards (\$)¹	Option-based awards (\$)²	Non-equity incentive plan compensation (\$)³	Pension value (\$)⁴	All other compensation (\$)⁵	Total compensation (\$)
David Wolfin ⁽⁶⁾	2013	150,000	NIL	30,900	NIL	NIL	150,000	330,900
President, CEO and Director	2012	150,000	NIL	NIL	NIL	NIL	NIL	150,000
	2011	145,500	NIL	1,058,200	NIL	NIL	150,000	1,353,700
Malcolm Davidson	2013	82,174	NIL	55,650	NIL	NIL	5,000	142,824
CFO	2012	32,378	NIL	NIL	NIL	NIL	NIL	32,378
	2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A

¹ The Company does not currently have any share-based award plans.

² The methodology used to calculate the grant date fair value is based on the Black-Scholes Option Pricing Model. There were a total of 650,000 new option based awards issued during the year.

³ The Company does not have a non-equity incentive plan

⁴ The Company does not have any pension plans.

⁵ Discretionary cash payment of incentive bonuses.

⁶ On June 24, 2010, Mr. David Wolfin was appointed CEO. Mr. David Wolfin's salary was paid to Intermark Capital Corp., a private BC corporation controlled by David Wolfin.

Annual Base Salary

Base Salary for the executive officers is determined by the Board based upon the recommendation of the Compensation Committee and its recommendations are reached primarily by informal comparison of the remuneration paid by other reporting issuers similar in size and within the industry and review of other publicly available information on remuneration that the Compensation Committee feels is suitable.

The Annual Base Salary paid to the executive officers is, for the purpose of establishing appropriate increases, reviewed annually by the Board upon the recommendation of the Compensation Committee as part of the annual review of executive officers. The decision on whether to grant an increase to the executive's base salary and the amount of any such increase is in the sole discretion of the Board and Compensation Committee.

Non-Equity Incentive Plan Compensation

One of the three components of the Company's compensation package is a discretionary annual cash bonus, paid to recognize individual performance in attaining corporate goals and objectives. The Company does not have a long-term incentive plan.

Option Based Award

An Option Based Award is in the form of the grant of an incentive stock option. The objective of the incentive stock option is to reward executive officers, employees and directors' individual performance at the discretion of the Board upon the recommendation of the Compensation Committee.

The Company currently maintains a formal stock option plan (the "Plan"), under which stock options have been granted and may be granted to purchase a number equal to up to 10% of the Company's issued capital from time to time. For details of the Plan please refer to "Particulars of Matters to be Act Upon" in the Information Circular.

The Plan is administered by the Compensation Committee. The process the Company uses to grant option-based awards is upon the recommendations of the Compensation Committee.

The role of the Compensation Committee is to recommend to the Board the compensation of the Company's directors and the executive officers which the Committee feels is suitable. All previous grants of option-based awards are taken into account when considering new grants.

3) *Incentive Plan Awards*

Outstanding share-based awards and option-based awards

The following table sets forth the options granted to the executive officers to purchase or acquire securities of the Company outstanding at December 31, 2013:

Name	Option-based Awards				Share-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ¹	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)	
David Wolfin	15,000	\$ 0.81	Jan 14, 2015	\$ 6,000	Nil	Nil	Nil	
President, CEO and Director	95,000	\$ 1.05	Sept 10, 2015	\$ 15,200	Nil	Nil	Nil	
	410,000	\$ 1.02	Jan 18, 2016	\$ 77,900	Nil	Nil	Nil	
	360,000	\$ 1.02	Sept 30, 2016	\$ 68,400	Nil	Nil	Nil	
	30,000	\$ 1.62	Sept 9, 2018	Nil	Nil	Nil	Nil	
Malcolm Davidson	9,500	\$ 1.02	Jan 18, 2016	\$ 1,805	Nil	Nil	Nil	
CFO	40,000	\$ 1.02	Sept 30, 2016	\$ 7,600	Nil	Nil	Nil	
	25,000	\$ 1.60	Feb 18, 2018	Nil	Nil	Nil	Nil	
	30,000	\$ 1.62	Sept 9, 2018	Nil	Nil	Nil	Nil	

¹ In-the-Money Options are the difference between the market value of the underlying securities at December 31, 2013 and the exercise price of the option. The closing market price for the Company's common shares as at December 31, 2013 was \$1.21 per common share.

Incentive plan awards – value vested or earned during the year

An "incentive plan" is any plan providing compensation that depends on achieving certain performance goals or similar conditions within a specific period. An "incentive plan award" means compensation awarded, earned, paid or payable under an incentive plan.

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to executive officers during the most recently completed financial year ended December 31, 2013:

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
David Wolfen President, CEO and Director	30,900	Nil	Nil
Malcolm Davidson CFO	55,650	Nil	Nil

(1) The aggregate dollar value that would have been realized if the options granted during the year had been exercised on the vesting date.

4) Pension Plan Benefits

No pension plan or retirement benefit plans have been instituted by the Company and none are proposed at this time.

Use of Financial Instruments

The Company does not have in place policies which restrict the ability of directors or executive officers to purchase financial instruments, such as prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by a director or executive officers. Any such purchases would be subject to applicable insider reporting requirements.

5) *Termination and Change of Control Benefits*

On January 1, 2013, the Company entered into a consulting agreement with Intermark Capital Corporation, a company owned by David Wolfin, and on March 1, 2014 the Company further amended the consulting agreement which contains certain provisions in connection with termination of employment or change of control.

The Agreement can be terminated at any time prior to the expiry of the term, as follows:

- (a) by the Consultant electing to give the Company not less than 3 months prior notice of such termination;
- (b) by the Company electing to give the Consultant 3 months prior notice of such termination along with a termination payment equal to the annual Consulting Fee; and
- (c) by the Consultant electing to give the Company notice, in the event that there occurs a Change of Control (as defined below) within six (6) months of the effective date of such Change of Control, and if the Consultant so elects to terminate this Agreement, then the Consultant will be immediately entitled to a termination payment equal to CDN\$2 million.

A Change of Control shall be deemed to have occurred when:

- (i) any person, entity or group becomes the beneficial owner of 20% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors, and such person, entity or group uses such effective voting control to change a majority of the Board of Directors of the Company, either all at once or through any series of elections and appointments when considered together; or
- (ii) completion of the sale or other disposition by the Company of all or substantially all of the Company's assets or a reorganization or merger or consolidation of the Company with any other entity or corporation, other than:
 - (A) a reorganization or merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent, either by remaining outstanding or by being converted into voting securities of another entity, more than 50.1% of the combined voting power of the voting securities of the Company or such other entity outstanding immediately after such reorganization or merger or consolidation; or
 - (B) a reorganization or merger or consolidation effected to implement a recapitalization or reincorporation of the Company (or similar transaction) that does not result in a material change in beneficial ownership of the voting securities of the Company or its successor.

6) *Director Compensation*

The following table sets forth the value of all compensation paid to the directors, excluding Mr. Wolfin who is paid as an officer and not as a director, in their capacity as directors for the year ended December 31, 2013:

Name	Fees earned (\$)	Share-based awards¹ (\$)	Option-based awards² (\$)	Non-equity incentive plan compensation³ (\$)	Pension value⁴ (\$)	All other compensation⁵ (\$)	Total (\$)
Michael* Baybak	20,000	NIL	55,650	NIL	NIL	18,750	94,400
Gary* Robertson	20,000	NIL	55,650	NIL	NIL	18,750	94,400
Jasman Yee	20,000	NIL	55,650	NIL	NIL	18,750	94,400
Andrew* Kaplan	20,000	NIL	55,650	NIL	NIL	18,750	94,400

* Independent and Non-Employee Directors

¹ The Company does not currently have any share-based award plans.

² The aggregate dollar value that would have been realized if the options granted during the year had been exercised on the vesting date.

³ The Company does not have a non-equity incentive plan

⁴ The Company does not have any pension plans.

⁵ Discretionary cash payment of incentive bonuses.

No director of the Company who is not a Named Executive Officer has received, during the most recently completed financial year, compensation pursuant to:

- (a) any standard arrangement for the compensation of directors for their services in their capacity as Directors, including any additional amounts payable for committee participation or special assignments;
- (b) any other arrangement, in addition to, or in lieu of, any standard arrangement, for the compensation of Directors in their capacity as Directors except for the granting of stock options; or
- (c) any arrangement for the compensation of directors for services as consultants or experts.

The Company may grant incentive stock options to Directors of the Company from time to time pursuant to the stock option plan of the Company and in accordance with the policies of the TSX Venture Exchange (the "TSX-V").

Outstanding share-based awards and option-based awards

The following table sets forth the options granted to the directors to purchase or acquire securities of the Company outstanding at December 31, 2013:

Name ⁽¹⁾	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽²⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of share-based awards not paid out or distributed (\$)
Michael Baybak	15,000	\$ 0.81	Jan 14, 2015	\$ 6,000	Nil	Nil	Nil
	20,000	\$ 1.05	Sept 10, 2015	\$ 3,200	Nil	Nil	Nil
	100,000	\$ 1.02	Jan 18, 2016	\$ 19,000	Nil	Nil	Nil
	40,000	\$ 1.02	Sept 30, 2016	\$ 7,600	Nil	Nil	Nil
	25,000	\$ 1.60	Feb 18, 2018	Nil	Nil	Nil	Nil
Gary Robertson	30,000	\$ 1.62	Sept 9, 2018	Nil	Nil	Nil	Nil
	15,000	\$ 0.81	Jan 14, 2015	\$ 6,000	Nil	Nil	Nil
	30,000	\$ 1.05	Sept 10, 2015	\$ 4,800	Nil	Nil	Nil
	100,000	\$ 1.02	Jan 18, 2016	\$ 19,000	Nil	Nil	Nil
	60,000	\$ 1.02	Sept 30, 2016	\$ 11,400	Nil	Nil	Nil
Jasman Yee	25,000	\$ 1.60	Feb 18, 2018	Nil	Nil	Nil	Nil
	30,000	\$ 1.62	Sept 9, 2018	Nil	Nil	Nil	Nil
	18,357	\$ 1.05	Sept 10, 2015	\$ 2,937	Nil	Nil	Nil
	100,000	\$ 1.02	Jan 18, 2016	\$ 19,000	Nil	Nil	Nil
	60,000	\$ 1.02	Sept 30, 2016	\$ 11,400	Nil	Nil	Nil
Andrew Kaplan	25,000	\$ 1.60	Feb 18, 2018	Nil	Nil	Nil	Nil
	30,000	\$ 1.62	Sept 9, 2018	Nil	Nil	Nil	Nil
	5,000	\$ 1.02	Jan 18, 2016	\$ 950	Nil	Nil	Nil
	40,000	\$ 1.02	Sept 30, 2016	\$ 7,600	Nil	Nil	Nil

(1) For the compensation of David Wolfin, the named executive officer of the Company, see "Incentive Plan Awards" above.

(2) The in-the-money option value is the difference between the market value of the underlying securities as at December 31, 2013 and the exercise price of the option. The closing market price of the Company's common shares as at December 31, 2013 was \$1.21 per common share.

Incentive plan awards – value vested or earned during the year

An “incentive plan” is any plan providing compensation that depends on achieving certain performance goals or similar conditions within a specific period. An “incentive plan award” means compensation awarded, earned, paid or payable under an incentive plan.

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to directors during the year ended December 31, 2013:

Name ⁽¹⁾	Option-based awards – Value vested during the year (\$)⁽²⁾	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Michael Baybak	55,650	Nil	Nil
Gary Robertson	55,650	Nil	Nil
Jasman Yee	55,650	Nil	Nil
Andrew Kaplan	55,650	Nil	Nil

(1) For the compensation of David Wolfen, the named executive officer of the Company, see “Incentive Plan Awards” above.

(2) The aggregate dollar value that would have been realized if the options granted during the year had been exercised on the vesting date.

Termination of Employment, Changes in Responsibilities and Employment Contracts

On January 1, 2013, the Company entered into a consulting agreement with Intermark Capital Corporation, a company wholly owned by David Wolfen, the named executive officer of the Company. The consulting agreement was further amended on March 1, 2014. For details please see “*Termination and Change of Control Benefits*” above.

C. Board Practices

The Board is currently comprised of five directors. The size and experience of the Board is important for providing the Company with effective governance in the mining industry. The Board's mandate and responsibilities can be effectively and efficiently administered at its current size. The Board has functioned, and is of the view that it can continue to function, independently of management as required. Directors are elected for a term of one year at the annual general meeting. At the Annual General and Special Meeting, held on June 27, 2013, the shareholders elected Messrs. Michael Baybak, Gary Robertson, David Wolfin, Jasman Yee and Andrew Kaplan as directors of the Company.

The Board has considered the relationship of each director to the Company and currently considers three of the five directors to be "unrelated" (Messrs. Baybak, Robertson, and Kaplan). "Unrelated director" means a director who is independent of management and free from any interest and any business or other relationship which could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interest of the Company, other than interests and relationships arising solely from shareholdings.

Procedures are in place to allow the Board to function independently. At the present time, the Board has experienced directors that have made a significant contribution to the Company's success, and are satisfied that it is not constrained in its access to information, in its deliberations or in its ability to satisfy the mandate established by law to supervise the business and affairs of the Company. Committees meet independent of management and other directors.

Mandate of the Board of Directors, its Committees and Management

The role of the Board is to oversee the conduct of the Company's business, including the supervision of management, and determining the Company's strategy. Management is responsible for the Company's day to day operations, including proposing its strategic direction and presenting budgets and business plans to the Board for consideration and approval. The strategic plan takes into account, among other things, the opportunities and risks of the Company's business. Management provides the Board with periodic assessments as to those risks and the implementation of the Company's systems to manage those risks. The Board reviews the personnel needs of the Company from time to time, having particular regard to succession issues relating to senior management. Management is responsible for the training and development of personnel. The Board assesses how effectively the Company communicates with shareholders, but has not adopted a formal communications policy. Through the Audit Committee, and in conjunction with its auditors, the Board assesses the adequacy of the Company's internal control and management information systems. The Board looks to management to keep it informed of all significant developments relating to or effecting the Company's operations. Major financings, acquisitions, dispositions and investments are subject to board approval. A formal Code of Ethics ("Code") has been adopted and applies to all directors, officers and employees. The Board meets on at least a quarterly basis and following the annual meeting of shareholders. The frequency of the meetings and nature of the meeting agendas are dependent on the nature of the business and affairs which the Company faces from time to time. During the year ended December 31, 2013, the Board met seven times.

To facilitate the functioning of the Board independently of management, the Audit Committee, Compensation Committee and Governance and Nominating Committee consist of majority independent directors. When appropriate, members of management are not present for the discussion and determination of certain matters at meetings of the Board. The independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

The Board and committees may take action at these meetings or at a meeting by conference call or by written consent.

Committees

Audit Committee

The Audit Committee assists the Board in its oversight of the Company's financial statements and other related public disclosures, the Company's compliance with legal and regulatory requirements relating to financial reporting, the external auditors, qualifications and independence and the performance of the internal audit function and the external auditors. The Audit Committee has direct communications channels with the Company's auditors. The Audit Committee reviews the Company's financial statements and related management's discussion and analysis of financial and operating results. The Audit Committee can retain legal, accounting or other advisors.

The Audit Committee currently consists of three directors, Gary Robertson, Andrew Kaplan and Michael Baybak, all of whom are independent. All of the members are financially literate, and have accounting or related financial expertise. "Financially literate" means the ability to read and understand a balance sheet, an income statement, and cash flow statement. "Accounting or related financial expertise" means the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian GAAP and International Financial Reporting Standards ("IFRS").

The Board has adopted a charter for the Audit Committee which is reviewed annually and sets out the role and oversight responsibilities of the Audit Committee with respect to:

- its relationship with and expectation of the external auditors, including the establishment of the independence of the external auditor and the approval of any non-audit mandates of the external auditor;
- determination of which non-audit services the external auditor is prohibited from providing;
- the engagement, evaluation, remuneration, and termination of the external auditors;
- appropriate funding for the payment of the auditor's compensation and for any advisors retained by the audit committee;
- its relationship with and expectation of the internal auditor;
- its oversight of internal control;
- disclosure of financial and related information; and
- any other matter that the audit committee feels is important to its mandate or that which the board chooses to delegate to it.

Compensation Committee

The Compensation Committee recommends to the Board the compensation of the Company's Directors, the Chief Executive Officer and other executive officers. Its recommendations are reached primarily by comparison of the remuneration paid by the Company with publicly available information on remuneration paid by other reporting issuers that the Compensation Committee feels are similarly placed within the same business of the Company.

The Compensation Committee consists of four directors, Messrs. Yee, Robertson, Kaplan and Baybak, three of whom are unrelated; Mr. Yee is not unrelated.

The charter of the Compensation Committee is available at the Company's website at www.avino.com.

Governance and Nominating Committee

The Governance and Nominating Committee review/recommend matters to the Board with respect to the governance and nominating matters. In this regard, the purpose of the Governance and Nominating Committee is to:

- i. manage the corporate governance system for the Board;
- ii. assist the Board to fulfill its duty to meet the applicable legal, regulatory and (self-regulatory) business principles and 'codes of best practice' of corporate behaviour and conduct;
- iii. assist in the creation of a corporate culture and environment of integrity and accountability;
- iv. monitor the quality of the relationship between the Board and management of the Company;
- v. review the Chief Executive Officer's succession plan;
- vi. recommend to the Board nominees for appointment of the Board;
- vii. lead the Board's annual review of the Chief Executive Officer's performance; and
- viii. annually review and set an agenda of the Board on an ongoing basis.

The Governance and Nominating Committee currently consists of three directors, Messrs. Yee, Kaplan and Baybak, all who are deemed independent.

The charter of the Governance and Nominating Committee is available at the Company's website at www.avino.com.

D. Employees

As at December 31, 2013, the Company had 133 employees located in Mexico. The Company's senior management as well as administrative and corporate services are located in Canada and are contracted by the Company through their companies or through the Company's cost sharing agreement for overhead and corporate services with Oniva International Services Corp. However, because these people are hired through companies, they are not technically deemed employees of the Company.

As at December 31, 2012, the Company had 85 employees located in Mexico, and as at December 31, 2011, the Company had 69 employees located in Mexico.

E. Share Ownership

The following table sets forth the share ownership of the individuals referred to in "Compensation" as of April 16, 2014:

Name of Beneficial Owner	Number of Shares	Percent
Michael Baybak	64,700	*
Gary Robertson	177,900	*
David Wolfen	381,184	1.2%
Jasman Yee	44,143	*
Andrew Kaplan	Nil	N/A
Malcolm Davidson	500	*

* Less than one percent

Outstanding Options

The following information, as of April 16, 2014 reflects outstanding options held by the individuals referred to in "Compensation":

	<u>No. of Shares</u>	<u>Date of Grant</u>	<u>Exercise Price</u>	<u>Expiration Date</u>
David Wolfin	15,000	Jan 14, 2010	\$ 0.81	Jan 14, 2015
President, CEO and	95,000	Sept 10, 2010	\$ 1.05	Sept 10, 2015
Director	410,000	Jan 18, 2011	\$ 1.02	Jan 18, 2016
	360,000	Sept 30, 2011	\$ 1.02	Sept 30, 2016
	30,000	Sept 9, 2013	\$ 1.62	Sept 9, 2018
Malcolm Davidson	9,500	Jan 18, 2011	\$ 1.02	Jan 18, 2016
CFO	40,000	Sept 30, 2011	\$ 1.02	Sept 30, 2016
	25,000	Feb 18, 2013	\$ 1.60	Feb 18, 2018
	30,000	Sept 9, 2013	\$ 1.62	Sept 9, 2018
Michael Baybak	15,000	Jan 14, 2010	\$ 0.81	Jan 14, 2015
Director	20,000	Sept 10, 2010	\$ 1.05	Sept 10, 2015
	100,000	Jan 18, 2011	\$ 1.02	Jan 18, 2016
	40,000	Sept 30, 2011	\$ 1.02	Sept 30, 2016
	25,000	Feb 18, 2013	\$ 1.60	Feb 18, 2018
	30,000	Sept 9, 2013	\$ 1.62	Sept 9, 2018
Gary Robertson	100,000	Jan 18, 2011	\$ 1.02	Jan 18, 2016
Director	60,000	Sept 30, 2011	\$ 1.02	Sept 30, 2016
	25,000	Feb 18, 2013	\$ 1.60	Feb 18, 2018
	30,000	Sept 9, 2013	\$ 1.62	Sept 9, 2018
Jasman Yee	18,357	Sept 10, 2011	\$ 1.05	Sept 10, 2015
Director	100,000	Jan 18, 2011	\$ 1.02	Jan 18, 2016
	60,000	Sept 30, 2011	\$ 1.02	Sept 30, 2016
	25,000	Feb 18, 2013	\$ 1.60	Feb 18, 2018
	30,000	Sept 9, 2013	\$ 1.62	Sept 9, 2018
Andrew Kaplan	5,000	Jan. 18, 2011	\$ 1.02	Jan. 18, 2016
Director	40,000	Sept. 30, 2011	\$ 1.02	Sept. 30, 2016
	25,000	Feb. 18, 2013	\$ 1.60	Feb. 18, 2018
	30,000	Sept. 9, 2013	\$ 1.62	Sept. 9, 2018

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

To the knowledge of the Company, it is not directly or indirectly owned or controlled by any other corporation or by the Canadian Government, or any foreign government, or by any other natural or legal person.

As of April 16, 2014, to the knowledge of the Company, no person who owned more than five (5%) percent of the outstanding shares of each class of the Company's voting securities.

As of April 16, 2014, there were 32,226,260 common shares issued and outstanding. Of those common shares issued and outstanding, 22,474,626 common shares were held by 66 shareholders whose addresses were in Canada.

B. Related Party Transactions

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

i) 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, 2013, 2012 and 2011 and as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Salaries, benefits, and consulting fees	\$ 779,571	\$ 243,011	\$ 362,173
Share-based payments	420,450	-	2,009,400
	<u>\$ 1,200,021</u>	<u>\$ 243,011</u>	<u>\$ 2,371,573</u>

ii) 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 and due on demand. As at December 31, 2013 and 2012 the following amounts are due to related parties:

	December 31, 2013	December 31, 2012
Directors' fees	\$ 10,352	\$ 24,469
Oniva International Services Corp.	135,458	147,845
Sampson Engineering Inc.	1,840	2,400
Andrew Kaplan	1,518	-
Jasman Yee & Associates, Inc.	5,040	-
Wear Wolfin Design	2,625	-
	<u>\$ 156,833</u>	<u>\$ 174,714</u>

- iii) 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 20. The transactions with Oniva during the years are summarized below:

	2013	2012	2011
Salaries and benefits	\$ 309,816	\$ 179,555	\$ 151,941
Office and miscellaneous	292,008	276,201	240,810
	<u>\$ 601,824</u>	<u>\$ 455,756</u>	<u>\$ 392,751</u>

- iv) In the normal course of operations, the company transacts with companies related to Avino's directors and officers. During the years ended December 31, 2013, 2012, and 2011, the company recorded consulting fees of \$75,014 (2012 - \$63,938; 2011 - 48,429) from a company controlled by a director, and financial consulting fees of \$30,000 (2012 - 30,000; 2011 - 30,000) from a company related to a director.

C. Interests of Experts and Counsel

Not Applicable.

Item 8. Financial Information**A. Consolidated Financial Statements and Other Financial Information**

See “Item 17. Financial Statements” for our Annual Audited Consolidated Financial Statements, related notes and other financial information filed with this annual report on Form 20-F.

Dividend Policy

The Company has never paid any dividends and does not intend to in the near future.

B. Significant Changes

Except as otherwise disclosed in this annual report, there have been no material changes in our financial position, operations or cash flows since December 31, 2013.

Item 9. The Offer and Listing**A. Offer and Listing Details**

Our common shares are listed on the NYSE MKT under the symbol ASM. Prior to August 2, 2011, our common shares were quoted on the OTC Bulletin Board. Our common shares are also listed on the TSX Venture Exchange. The following sets forth the high and low prices expressed in U.S. Dollars on the NYSE MKT and in Canadian Dollars on the TSX-V for the past full six months and through April 15, 2014 and for each quarter for the past fiscal year.

	NYSE-MKT (United States Dollars)		TSX-V (Canadian Dollars)	
	High	Low	High	Low
Last Six Months				
April 2014	\$ 1.70	\$ 1.52	\$ 1.88	\$ 1.70
March 2014	\$ 2.30	\$ 1.38	\$ 2.55	\$ 1.53
February 2014	2.84	1.70	3.13	1.88
January 2014	1.68	1.15	1.89	1.24
December 2013	1.25	1.06	1.34	1.11
November 2013	1.45	1.01	1.40	1.07
For the Quarter Ended				
December 31, 2013	\$ 1.45	\$ 0.85	\$ 1.40	\$ 1.01
September 30, 2013	1.60	0.73	1.68	0.78
June 30, 2013	1.49	0.71	1.51	0.75
March 31, 2013	\$ 1.95	\$ 1.33	\$ 1.90	\$ 1.37
For the Quarter Ended	High	Low	High	Low
December 31, 2012	1.89	1.37	1.90	1.42
September 30, 2012	1.80	1.12	1.74	1.07
June 30, 2012	2.10	1.08	2.10	1.08
March 31, 2012	2.52	1.51	2.54	1.46
Last Five Fiscal Years	High	Low	High	Low
2013	1.90	0.75	1.95	0.71
2012	2.52	1.08	2.54	1.07
2011	3.47	1.42	2.94*	1.39*
2010	2.95	0.66	2.89	0.63
2009	0.99	0.38	0.95	0.30

B. Plan of Distribution

Not Applicable.

C. Markets

The Company's common shares are listed on the TSX-V under the symbol "ASM", on the Berlin and Frankfurt Stock Exchanges under the symbol "GV6", and on the NYSE MKT under the symbol "ASM". In September 2013, the Company's listing on the TSX-V was re-classified to Tier 1 status.

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

Item 10. Additional Information

A. Share Capital

Not Applicable.

B. Memorandum and Articles of Association

Common Shares

All issued and outstanding common shares are fully paid and non-assessable. Each holder of record of common shares is entitled to one vote for each common share so held on all matters requiring a vote of shareholders, including the election of directors. The holders of common shares will be entitled to dividends on a pro-rata basis, if and when as declared by the board of directors. There are no preferences, conversion rights, preemptive rights, subscription rights, or restrictions or transfers attached to the common shares. In the event of liquidation, dissolution, or winding up of the Company, the holders of common shares are entitled to participate in the assets of the Company available for distribution after satisfaction of the claims of creditors. Description of Shareholder Rights Plan

Rights Plan

We have adopted a Rights Plan which became effective when it was approved and adopted by the board of directors on April 22, 2013 (the "Effective Date"), and subsequently ratified by our shareholders ("Shareholders") on June 27, 2013. The Rights Plan was designed to provide Shareholders with adequate time to properly assess the merits of a take-over bid without undue pressure. One of the purposes of the Rights Plan is to permit competing take-over bids to emerge prior to the expiration of a take-over bid. The Rights Plan is designed to give our board of directors time to consider alternatives in maximizing for Shareholders the full and fair value for their common shares. The Rights Plan was designed to discourage discriminatory or unfair take-over bids for us and gives the board of director time, if appropriate, to pursue alternatives to maximize value to the Shareholders, in the event of an unsolicited take-over bid to acquire control of us. The Rights Plan will encourage an offeror to proceed by way of a Permitted Bid (as defined below), or to approach the board of directors with a view to negotiation, by creating the potential for substantial dilution of the offeror's position. The Permitted Bid provisions of the Rights Plan are designed to ensure that, in any take-over bid, all Shareholders are treated equally, receive the maximum value for their investment, and are given adequate time to properly assess the take-over bid on a fully informed basis.

The terms of the Rights Plan are set out therein. The following is a summary of the principal terms of the Rights Plan which is qualified in its entirety by reference to the entire text of the Shareholder Rights Plan Agreement which has been previously filed with the SEC. In order to implement the Rights Plan, our board of directors authorized the issuance of one Right to acquire additional common shares pursuant to the formula set forth in the Rights Plan in respect of each common share outstanding as of 12:01 a.m. (Vancouver local time) on the Effective Date. New certificates for common shares issued after the Effective Date will contain a notation incorporating the Rights Plan by reference. Each Right will become exercisable to purchase one common share at a purchase price of CDN \$30.00 (such purchase price, as may be adjusted, being the "Purchase Price").

Until the Separation Time (as defined below):

- the Rights will not be exercisable;
- the Rights will be evidenced by the certificates for common shares and not by separate rights certificates; and
- the Rights will be transferable by, and only in connection with, the transfer of common shares.

Separation Time; Beneficial Ownership

As noted above, the Rights are not exercisable until the Separation Time. As of and after the Separation Time, the Rights will separate from the common shares.

The "Separation Time" is the earliest of:

- The day of a public announcement that a person has become an "Acquiring Person" by acquiring beneficial ownership of 20% or more of the outstanding voting shares then outstanding (or, in the case of a person that had beneficial ownership of 20% or more of the outstanding common shares on the date the Rights Plan was executed, by obtaining additional beneficial ownership of more than 1% of the voting shares outstanding at the Record Date) other than as a result of repurchases of common shares by us and certain other limited circumstances; and
- The date of the commencement of or first public announcement of any person (other than us or our any subsidiary) to commence a tender or exchange offer if upon consummation thereof, such person would become an Acquiring Person, unless such bid is a Permitted Bid (as defined therein) or a Competing Permitted Bid (as defined therein).

Upon such acquisition or announcement of a take-over bid (defined in the Rights Plan as a "Flip-in Event"), each holder of a Right (except the Acquiring Person) will thereafter have the right to receive, upon exercise of the Rights, common shares (or, in certain circumstances, other securities, cash, or other assets of ours) having a Market Price (as immediately defined below) equal to two times the Purchase Price. Notwithstanding any of the foregoing, following the occurrence of a person becoming an Acquiring Person, all Rights that are, or (under certain circumstances specified in the Rights Plan Agreement) were, beneficially owned by any Acquiring Person (or by certain related parties) will be null and void.

The "Market Price" of the common shares will be equal to the average twenty (20) trading day closing price of the common shares preceding the date of the Flip-in Event. The reporting of earnings per share on a fully diluted or non-diluted basis will be affected by the exercise of the Rights. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Permitted Bids

Under the Rights Plan, to qualify as a Permitted Bid, a take-over bid must be made by means of a take-over bid circular delivered to all holders of common shares. The take-over bid must expressly state that common shares issued on the exercise of any warrants, stock options, or other securities convertible into common shares after the bid is made will be eligible for tender under the bid. The take-over bid must be open for acceptance for at least sixty (60) days after the bid is made, and the bid must require that only if more than fifty (50%) percent of the outstanding common shares held by independent Shareholders are deposited or tendered pursuant to the bid and not withdrawn, the bidder may take up and pay for such shares. However, public notice of this fact must be given, and the bid must then be extended for a further period of at least ten (10) business days from the date of such notice, so that other minority Shareholders may have an opportunity to tender their common shares. Also, to qualify as a Permitted Bid, the bid must permit withdrawal of deposited common shares at any time.

These requirements enable each Shareholder to decide to tender their shares based solely upon the merits of the bid. A Shareholder need not be influenced by the likelihood that a bid will succeed. If more than fifty (50%) percent of the outstanding common shares have been tendered to a bid, a Shareholder who has not already tendered his or her shares to that bid or to a competing bid will have an additional (10) business days to decide whether or not to tender his or her shares to the original bid or the competing bid.

Expiration of Rights

The Rights will expire on the earliest of (a) the time at which the Rights are redeemed (as described below), (b) the time at which the Rights are exchanged in full (as described below), or (c) April 22, 2021.

Change of Exercise of Rights Following Certain Events

Exchange Event. At any time on or after any person has become an Acquiring Person, the board of directors may, without seeking approval of the holders of the common shares or Rights, exchange the Rights (other than Rights beneficially owned by an Acquiring Person, its affiliates and associates) either (i) in return for the Purchase Price and rights, cash equity or other securities or other property or assets having a value equal to twice the Purchase Price, or (ii) in return for the Right and without further charge, subject to any amounts that may be required to be paid under applicable law, cash equity or other securities or other property or assets having a value equal to the Purchase Price.

Termination of Rights.

At any time on or after any person has become an Acquiring Person, the board of directors may, at their sole discretion, (a) interpret the provisions of the Rights Plan, and (b) make all determinations deemed necessary or advisable for the administration of the Rights Plan (including a determination to terminate or redeem or not to terminate or redeem the Rights or to terminate or amend the Rights Plan), and such interpretations or determinations by the directors shall be final, conclusive and binding on us, the Rights Agent, the holders of Rights and all other parties and shall not subject the directors to any liability to the holders of Rights.

Redemption

At any time prior to the Flip-In Event, the board of directors may direct us to redeem the Rights in whole, but not in part, at a price of \$0.0001 per Right (payable in cash, common shares, or other consideration deemed appropriate by the board of directors). Immediately upon the action of the board of directors directing us to redeem the Rights, the Rights will terminate and the only right of the holders of Rights will be to receive the \$0.0001 redemption price.

Amendment

Prior to the Separation Time, the board of directors may amend the Rights Plan in any respect. After such time, a shareholder vote may be required to approve such amendment.

Antidilution

The Rights Plan includes antidilution provisions designed to prevent efforts to diminish the effectiveness of the Rights.

Powers and Duties of Directors

The directors shall manage or supervise the management of the affairs and business of the Company and shall have authority to exercise all such powers of the Company as are not, by the British Columbia Business Corporations Act or by the Memorandum or the Articles, required to be exercised by the Company in a general meeting.

Directors will serve as such until the next annual meeting. In general, a director who is, in any way, directly or indirectly interested in an existing or proposed contract or transaction with the Company whereby a duty or interest might be created to conflict with his duty or interest as a director, shall declare the nature and extent of his interest in such contract or transaction or the conflict or potential conflict with his duty and interest as a director. Such director shall not vote in respect of any such contract or transaction with the Company in which he is interested and if he shall do so, his vote shall not be counted, but he shall be counted in the quorum present at the meeting at which such vote is taken. However, notwithstanding the foregoing, directors shall have the right to vote on determining the remuneration of the directors.

The directors may from time to time on behalf of the Company: (a) borrow money in such manner and amount from such sources and upon such terms and conditions as they think fit; (b) issue bonds, debentures and other debt obligations; and (c) mortgage, charge or give other security on the whole or any part of the property and assets of the Company.

The directors of the Company must be persons of the full age of 18 years. There is no minimum share ownership to be a Director. No person shall be a director of the Company who is not capable of managing their own affairs; is an undischarged bankrupt; convicted of an offense in connection with the promotion, formation or management of a corporation or involved in fraud within the last five years; or a person that has had a registration in any capacity under the British Columbia Securities Act or the British Columbia Mortgage Brokers Act cancelled within the last five years.

Shareholders

An annual general meeting shall be held once in every calendar year at such time and place as may be determined by the directors. A quorum at an annual general meeting and special meeting shall be two shareholders or one or more proxy holders representing two shareholders, or one shareholder and a proxy holder representing another shareholder. There is no limitation imposed by the laws of Canada or by the charter or other constituent documents of the Company on the right of a non-resident to hold or vote the common shares, other than as provided in the Investment Canada Act, referred to as the "Investment Act", discussed below under "Item 10. Additional Information, D. Exchange Controls"

In accordance with British Columbia law, directors shall be elected by an "ordinary resolution" which means: (a) a resolution passed by the shareholders of the Company at a general meeting by a simple majority of the votes cast in person or by proxy; or (b) a resolution that has been submitted to the shareholders of the Company who would have been entitled to vote on it in person or by proxy at a general meeting of the Company and that has been consented to in writing by such shareholders of the Company holding shares carrying not less than the requisite majority of the votes entitled to be cast on it.

Under British Columbia law certain items such as an amendment to the Company's articles or entering into a merger requires approval by a special resolution which means: (a) a resolution passed by a majority of not less than the requisite majority of the votes cast by the shareholders of the Company who, being entitled to do so, vote in person or by proxy at a general meeting of the company; or (b) a resolution consented to in writing by every shareholder of the Company who would have been entitled to vote in person or by proxy at a general meeting of the Company, and a resolution so consented to is deemed to be a special resolution passed at a general meeting of the Company.

C. Material Contracts

1. Controlled Equity Offering Sales Agreement
2. Placement Agency Agreement
3. Form of Subscription Agreement
4. Form of Warrant Agreement

D. Exchange Controls

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws in Canada or exchange restrictions affecting the remittance of dividends, profits, interest, royalties and other payments to non-resident holders of the Issuer's securities, except as discussed below under "Item 10. Additional Information, E. Taxation."

There are no limitations under the laws of Canada or in the organizing documents of the Company on the right of foreigners to hold or vote securities of the Company, except that the Investment Canada Act may require review and approval by the Minister of Industry (Canada) of certain acquisitions of "control" of the Company by a "non-Canadian". The threshold for acquisitions of control is generally defined as being one-third or more of the voting shares of the Company. "Non-Canadian" generally means an individual who is not a Canadian citizen, or a corporation, partnership, trust or joint venture that is ultimately controlled by non-Canadians.

E. Taxation

Canadian Federal Income Tax Consequences

The following summarizes the principal Canadian federal income tax consequences applicable to the holding and disposition of common shares in the capital of the Company by a United States resident, and who holds common shares solely as capital property, referred to as a "U.S. Holder". This summary is based on the current provisions of the Income Tax Act (Canada), referred to as the "Tax Act", the regulations thereunder, all amendments thereto publicly proposed by the government of Canada, the published administrative practices of Revenue Canada, Customs, Excise and Taxation, and the current provisions of the Canada-United States Income Tax Convention, 1980, as amended, referred to as the "Treaty". Except as otherwise expressly provided, this summary does not take into account any provincial, territorial or foreign (including without limitation, any United States) tax law or treaty. It has been assumed that all currently proposed amendments will be enacted substantially as proposed and that there is no other relevant change in any governing law or practice, although no assurance can be given in these respects.

Each U.S. Holder is advised to obtain tax and legal advice applicable to such U.S. Holder's particular circumstances.

Every U.S. Holder is liable to pay a Canadian withholding tax on every dividend that is or is deemed to be paid or credited to the U.S. Holder on the U.S. Holder's common shares. The statutory rate of withholding tax is 25% of the gross amount of the dividend paid. The Treaty reduces the statutory rate with respect to dividends paid to a U.S. Holder for the purposes of the Treaty. Where applicable, the general rate of withholding tax under the Treaty is 15% of the gross amount of the dividend, but if the U.S. Holder is a company that owns at least 10% of the voting stock of the Company and beneficially owns the dividend, the rate of withholding tax is 5% for dividends paid or credited after 1996 to such corporate U.S. Holder. The Company is required to withhold the applicable tax from the dividend payable to the U.S. Holder, and to remit the tax to the Receiver General of Canada for the account of the U.S. Holder.

Pursuant to the Tax Act, a U.S. Holder will not be subject to Canadian capital gains tax on any capital gain realized on an actual or deemed disposition of a common share, including a deemed disposition on death, provided that the U.S. Holder did not hold the common share as capital property used in carrying on a business in Canada, and that neither the U.S. Holder nor persons with whom the U.S. Holder did not deal at arms-length (alone or together) owned or had the right or an option to acquire 25% or more of the issued shares of any class of the Company at any time in the five years immediately preceding the disposition.

United States Federal Income Tax Consequences

Passive Foreign Investment Company

In light of the Company's production at the San Gonzalo mine during the fourth quarter of 2012, the Company does not believe that it is a passive foreign investment company, referred to as a "PFIC" for United States federal income tax purposes with respect to a United States Investor. The Company will be a PFIC with respect to a United States Investor if, for any taxable year in which such United States Investor held the Company's shares, either (i) at least 75% of the gross income of the Company for the taxable year is passive income, or (ii) at least 50% of the Company's assets are attributable to assets that produce or are held for the production of passive income. In each case, the Company must take into account a pro-rata share of the income and the assets of any company in which the Company owns, directly or indirectly, 25% or more of the stock by value (the "look-through" rules). Passive income generally includes dividends, interest, royalties, rents (other than rents and royalties derived from the active conduct of a trade or business and not derived from a related person), annuities and gains from assets that produce passive income. As a publicly traded corporation, the Company would apply the 50% asset test based on the value of the Company's assets.

If the Company qualifies as a PFIC, and unless a United States Investor who owns shares in the Company (i) elects (a section 1295 election) to have the Company treated as a "qualified electing fund", referred to as a "QEF" (described below), or (ii) marks the stock to market (described below), the following rules apply:

1. Distributions made by the Company during a taxable year to a United States Investor who owns shares in the Company that are an "excess distribution" (defined generally as the excess of the amount received with respect to the shares in any taxable year over 125% of the average received in the shorter of either the three previous years or such United States Investor's holding period before the taxable year) must be allocated ratably to each day of such shareholder's holding period. The amount allocated to the current taxable year and to years when the corporation was not a PFIC must be included as ordinary income in the shareholder's gross income for the year of distribution. The remainder is not included in gross income but the shareholder must pay a deferred tax on that portion. The deferred tax amount, in general, is the amount of tax that would have been owed if the allocated amount had been included in income in the earlier year, plus interest. The interest charge is at the rate applicable to deficiencies in income taxes.

2. The entire amount of any gain realized upon the sale or other disposition of the shares will be treated as an excess distribution made in the year of sale or other disposition and as a consequence will be treated as ordinary income and, to the extent allocated to years prior to the year of sale or disposition, will be subject to the interest charge described above.

A shareholder that makes a section 1295 election will be currently taxable on his or her pro-rata share of the Company's ordinary earnings and net capital gain (at ordinary income and capital gain rates, respectively) for each taxable year of the Company, regardless of whether or not distributions were received. The shareholder's basis in his or her shares will be increased to reflect taxed but undistributed income. Distributions of income that had previously been taxed will result in a corresponding reduction of basis in the shares and will not be taxed again as a distribution to the shareholder.

A shareholder may make a section 1295 election with respect to a PFIC for any taxable year of the shareholder (shareholder's election year). A section 1295 election is effective for the shareholder's election year and all subsequent taxable years of the shareholder. Procedures exist for both retroactive elections and filing of protective statements. Once a section 1295 election is made it remains in effect, although not applicable, during those years that the Company is not a PFIC. Therefore, if the Company re-qualifies as a PFIC, the section 1295 election previously made is still valid and the shareholder is required to satisfy the requirements of that election. Once a shareholder makes a section 1295 election, the shareholder may revoke the election only with the consent of the Commissioner.

If the shareholder makes the section 1295 election for the first tax year of the Company as a PFIC that is included in the shareholder's holding period, the PFIC qualifies as a pedigreed QEF with respect to the shareholder. If a QEF is an unpedigreed QEF with respect to the shareholder, the shareholder is subject to both the non-QEF and QEF regimes. Certain elections are available which enable shareholders to convert an unpedigreed QEF into a pedigreed QEF thereby avoiding such dual application.

A shareholder making the section 1295 election must make the election on or before the due date, as extended, for filing the shareholder's income tax return for the first taxable year to which the election will apply. A shareholder must make a section 1295 election by completing Form 8621, attaching said Form to its federal income tax return, and reflecting in the Form the information provided in the PFIC Annual Information Statement, or if the shareholder calculated the financial information, a statement to that effect. The PFIC Annual Information Statement must include the shareholder's pro-rata shares of the ordinary earnings and net capital gain of the PFIC for the PFIC's taxable year or information that will enable the shareholder to calculate its pro-rata shares. In addition, the PFIC Annual Information Statement must contain information about distributions to shareholders and a statement that the PFIC will permit the shareholder to inspect and copy its permanent books of account, records, and other documents of the PFIC necessary to determine that the ordinary earnings and net capital gain of the PFIC have been calculated according to federal income tax accounting principles. A shareholder may also obtain the books, records and other documents of the foreign corporation necessary for the shareholder to determine the correct earnings and profits and net capital gain of the PFIC according to federal income tax principles and calculate the shareholder's pro-rata shares of the PFIC's ordinary earnings and net capital gain. In that case, the PFIC must include a statement in its PFIC Annual Information Statement that it has permitted the shareholder to examine the PFIC's books of account, records, and other documents necessary for the shareholder to calculate the amounts of ordinary earnings and net capital gain. A shareholder that makes a Section 1295 election with respect to a PFIC held directly or indirectly for each taxable year to which the Section 1295 election applies must comply with the foregoing submissions.

Because the Company's stock is "marketable" under section 1296(e), a United States Investor may elect to mark the stock to market each year. In general, a PFIC shareholder who elects under section 1296 to mark the marketable stock of a PFIC includes in income each year an amount equal to the excess, if any, of the fair market value of the PFIC stock as of the close of the taxable year over the shareholder's adjusted basis in such stock. A shareholder is also generally allowed a deduction for the excess, if any, of the adjusted basis of the PFIC stock over the fair market value as of the close of the taxable year. Deductions under this rule, however, are allowable only to the extent of any net mark to market gains with respect to the stock included by the shareholder for prior taxable years. While the interest charge regime under the PFIC rules generally does not apply to distributions from and dispositions of stock of a PFIC where the United States Investor has marked to market, coordination rules for limited application will apply in the case of a United States Investor that marks to market PFIC stock later than the beginning of the shareholder's holding period for the PFIC stock.

Special rules apply with respect to the calculation of the amount of the foreign tax credit with respect to excess distributions by a PFIC or inclusions under a QEF.

Controlled Foreign Corporations

Sections 951 through 964 and Section 1248 of the Internal Revenue Code, referred to as the "Code", relate to controlled foreign corporations, referred to as "CFCs". A foreign corporation that qualifies as a CFC will not be treated as a PFIC with respect to a shareholder during the portion of the shareholder's holding period after December 31, 1997, during which the shareholder is a 10% United States shareholder and the corporation is a CFC. The PFIC provisions continue to apply in the case of a PFIC that is also a CFC with respect to shareholders that are less than 10% United States shareholders.

The 10% United States shareholders of a CFC are subject to current United States tax on their pro-rata shares of certain income of the CFC and their pro-rata shares of the CFC's earnings invested in certain United States property. The effect is that the CFC provisions may impute some portion of such a corporation's undistributed income to certain shareholders on a current basis and convert into dividend income some portion of gains on dispositions of stock, which would otherwise qualify for capital gains treatment.

The Company does not believe that it will be a CFC. It is possible that the Company could become a CFC in the future. Even if the Company were classified as a CFC in a future year, however, the CFC rules referred to above would apply only with respect to 10% shareholders.

Personal Holding Company/Foreign Personal Holding Company/Foreign Investment Company

A corporation will be classified as a personal holding company, or a "PHC", if at any time during the last half of a tax year (i) five or fewer individuals (without regard to their citizenship or residence) directly or indirectly or by attribution own more than 50% in value of the corporation's stock and (ii) at least 60% of its ordinary gross income, as specially adjusted, consists of personal holding company income (defined generally to include dividends, interest, royalties, rents and certain other types of passive income). A PHC is subject to a United States federal income tax of 39.6% on its undistributed personal holding company income (generally limited, in the case of a foreign corporation, to United States source income).

A corporation will be classified as a foreign personal holding company, or an "FPHC", and not a PHC if at any time during a tax year (i) five or fewer individual United States citizens or residents directly or indirectly or by attribution own more than 50% of the total combined voting power or value of the corporation's stock and (ii) at least 60% of its gross income consists of foreign personal holding company income (defined generally to include dividends, interest, royalties, rents and certain other types of passive income). Each United States shareholder in a FPHC is required to include in gross income, as a dividend, an allocable share of the FPHC's undistributed foreign personal holding company income (generally the taxable income of the FPHC, as specially adjusted).

A corporation will be classified as a foreign investment company, or an "FIC", if for any taxable year it: (i) is registered under the Investment Company Act of 1940, as amended, as a management company or share investment trust or is engaged primarily in the business of investing or trading in securities or commodities (or any interest therein); and (ii) 50% or more of the value or the total combined voting power of all the corporation's stock is owned directly or indirectly (including stock owned through the application of attribution rules) by United States persons. In general, unless an FIC elects to distribute 90% or more of its taxable income (determined under United States tax principles as specially adjusted) to its shareholders, gain on the sale or exchange of FIC stock is treated as ordinary income (rather than capital gain) to the extent of such shareholder's ratable share of the corporation's earnings and profits for the period during which such stock was held.

The Company believes that it is not and will not be a PHC, FPHC or FIC. However, no assurance can be given as to the Company's future status.

United States Information Reporting and Backup Withholding

Dividends are generally subject to the information reporting requirements of the Code. Dividends may be subject to backup withholding at the rate of 31% unless the holder provides a taxpayer identification number on a properly completed Form W-9 or otherwise establishes an exemption.

The amount of any backup withholding will not constitute additional tax and will be allowed as a credit against the United States Investor's federal income tax liability.

Filing of Information Returns

Under a number of circumstances, a United States Investor acquiring shares of the Company may be required to file an information return. In particular, any United States Investor who becomes the owner, directly or indirectly, of 10% or more of the shares of the Company will be required to file such a return. Other filing requirements may apply and United States Investors should consult their own tax advisors concerning these requirements.

F. Dividends and Paying Agents

Not Applicable.

G. Statement by Experts

Not Applicable.

H. Documents on Display

The Company files annual reports and furnishes other information with the SEC via Edgar. You may read and copy any document that we file at the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 or by accessing the Commission's website (<http://www.sec.gov>). The Company also files its annual reports and other information with the Canadian Securities Administrators via SEDAR (www.sedar.com).

Our principal executive office is located at Suite 900, 570 Granville Street, Vancouver, British Columbia V6C 3P1, Canada. Our telephone number is (604) 682-3701. Our website is located at www.avino.com. Information contained on, or that can be accessed through, our website is not part of this Annual Report.

Copies of the Company's material contracts are kept in the Company's administrative headquarters.

I. Subsidiary Information

None.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

The Audit Committee of our board of directors regularly reviews foreign exchange and interest rates. Our policy prohibits the use of financial instruments for speculative purposes. See Note 21 in our annual audited consolidated Financial Statements contained in this annual report on Form 20-F for quantitative and qualitative disclosure of market risk.

Item 12. Description of Securities Other than Equity Securities

Not Applicable.

Part II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

On April 23, 2013, the Board of Directors approved and adopted a Shareholder Rights Plan (the "Rights Plan") which was ratified by the shareholders of the Company on June 27, 2013. The Rights Plan entitles shareholders to severable rights to purchase additional shares of the Company upon the occurrence of a take-over bid (i.e. an offer to purchase 20% or more of the issued shares, when aggregated with the offeror's shareholdings), which fails to meet certain conditions. Bids which meet these conditions ("Permitted Bids") do not trigger the rights to purchase additional shares. Permitted Bids are offers which meet all of the following conditions:

1. The offer is made to all shareholders and includes shares issuable upon exercise of share purchase warrants, stock options and other convertible securities;
2. The offer must contain an irrevocable and unqualified provision that no shares will be taken up or paid for prior to the close of business on a date less than 60 days following the date of the Bid, and only if at such date more than 50% of the shares held by independent shareholders have been deposited or tendered and not withdrawn;
3. The offer must contain an irrevocable and unqualified provision that any share deposited may be withdrawn at any time until being taken up and paid for; and
4. The offer must contain an irrevocable and unqualified provision that if the deposit conditions set out in above are met, then the offeror will make a public announcement of that fact, and the bid will remain open for deposits or tenders of additional shares for not less than 10 business days from the date of the public announcement.

The Rights Plan is designed to ensure that all shareholders are treated fairly and equitably in the event of a take-over bid.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

As required by paragraph (b) of Rules 13a-15 or 15d-15 under the Exchange Act, our principal executive officer and principal financial officer evaluated our company's disclosure controls and procedures (as defined in rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this annual report on Form 20-F. Based on the evaluation, these officers concluded that as of the end of the period covered by this Annual Report on Form 20-F, our disclosure controls and procedures were not effective to ensure that the information required to be disclosed by our company in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the rules and forms of the Securities and Exchange Commission. These disclosure controls and procedures include controls and procedures designed to ensure that such information is accumulated and communicated to our company's management, including our company's principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. The conclusion that our disclosure controls and procedures were not effective was due to the presence of material weaknesses in internal control over financial reporting as identified below under the heading "Management's Report on Internal Control Over Financial Reporting."

Management anticipates that such disclosure controls and procedures will not be effective until the material weaknesses are remediated. Our company intends to remediate the material weaknesses as set out below.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within our company have been detected.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) for our company. Our Company's internal control over financial reporting is designed to provide reasonable assurance, not absolute assurance, regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Reporting Standards, and that our company's receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Management, including our principal executive officer and principal financial officer, along with an independent consultant, conducted an evaluation of the design and operation of our internal control over financial reporting as of December 31, 2013 based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, our management concluded our internal control over financial reporting was not effective as at December 31, 2013 due to the following material weaknesses: (i) inadequate segregation of duties and effective risk assessment; (ii) insufficient written policies and procedures for accounting, financial reporting and corporate governance; and (iii) insufficient disaster recovery plans.

Our Company has taken steps to enhance and improve the design of our internal controls over financial reporting; however these steps were not complete as of December 31, 2013. During the period covered by this annual report on Form 20-F, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we plan to implement the following changes during our fiscal year ending December 31, 2013: (i) address inadequate segregation of duties and ineffective risk management; (ii) adopt sufficient written policies and procedures for accounting, financial reporting and corporate governance; and (iii) implement a disaster recovery plan.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake.

Changes in Internal Control Over Financial Reporting

During the period covered by this annual report, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16.

Item 16A. Audit Committee Financial Expert

The Board determined that Mr. Gary Robertson is qualified as an Audit Committee Financial Expert. Mr. Robertson is independent as determined by the NASDAQ listing rules.

Item 16B. Code of Ethics

The Company has adopted a Code of Ethics (“Code”) that applies to all directors, officers and employees of the Company.

This Code covers a wide range of financial and non-financial business practices and procedures. This Code does not cover every issue that may arise, but it sets out basic principles to guide all executive and staff of the Company. If a law or regulation conflicts with a policy in this Code, then personnel must comply with such law or regulation. If any person has any questions about this Code or potential conflicts with a law or regulation, they should contact the Company’s Board of Directors or Audit Committee.

All executive and staff should recognize that they hold an important role in the overall corporate governance and ethical standards of the Company. Each person is capable and empowered to ensure that the Company’s, its shareholders’ and other stakeholders’ interests are appropriately balanced, protected and preserved. Accordingly, the Code provides principles to which all personnel are expected to adhere and advocate. The Code embodies rules regarding individual and peer responsibilities, as well as responsibilities to the Company, the shareholders, other stakeholders, and the public generally.

A copy of the Code is available at the Company’s website at www.avino.com.

Item 16C. Principal Accountant Fees and Services

The independent auditor for the years ended December 31, 2013 and 2012 was Manning Elliott LLP.

Audit Fees

The aggregate fees billed by Manning Elliott LLP for professional services rendered for the audit of the Company’s years ended December 31, 2013 and 2012 were \$136,500 and \$115,000.

Audit-Related Fees

The audit-related fees billed by Manning Elliott LLP for the years ended December 31, 2013 and 2012 were \$4,500 and \$4,500.

Tax Fees

The tax fees billed by Manning Elliott LLP for the years ended December 31, 2013 and 2012 were \$3,300 and \$2,800.

All Other Fees

The aggregate fees billed by Manning Elliott LLP for advisory and review services relating to the Company’s annual report on Form 20-F and related filing documents for the years ended December 31, 2013 and 2012 were \$19,500 and \$4,500.

The Audit Committee approved 100% of the fees paid to the principal accountant for audit-related, tax and other fees in the fiscal years 2013 and 2012. The Audit Committee pre-approves all non-audit services to be performed by the auditor in accordance with the Audit Committee Charter. There were no hours expended on the principal accountant's engagement to audit the Company's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Changes in Registrants Certifying Accountant

Not applicable

Item 16G. Corporate Governance

The Company's common shares are listed on the NYSE MKT. The Company does not believe that its corporate governance practices differ from those followed by domestic companies under the listing standards of the NYSE MKT.

Item 16H. Mine Safety Disclosure

Under Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and pursuant to this Item 16H, each operator of a coal or other mine is required to include disclosures regarding certain mine safety results in its periodic reports filed with the SEC. We do not own or operate any mines in the United States and, as a result, this information is not required.

Part III

Item 17. Financial Statements

The following financial statements pertaining to the Company are filed as part of this Annual Report:

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Item 18. Financial Statements

See Item 17

Item 19. Exhibits

Exhibit Number	Exhibit
1.1	Memorandum of Avino Silver & Gold Mines Ltd.*
1.2	Articles of Avino Silver & Gold Mines Ltd.*
2.1	Shareholders Rights Plan Agreement dated Apr. 22, 2013 (Incorporated by reference to Exhibit 2.1 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)
4.2	Intermark Capital Corporation Consulting Agreement dated Jan. 1, 2013(Incorporated by reference to Exhibit 4.2 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)
4.3	Minerales de Avino SA de CV Agreement dated February 18, 2012 (Incorporated by reference to Exhibit 4.3 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)
4.4	Stock Option Plan (Incorporated by reference to Exhibit 4.4 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)
4.5	\$5 Million Master Credit Facility with Caterpillar Credito, S.A. de C.V. and Continuing Guarantee dated December 17, 2012 (Incorporated by reference to Exhibit 4.5 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)
4.6	Avaron Mining Corp. Option Agreement dated January 3, 2012 (Incorporated by reference to Exhibit 4.6 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)
4.7	Benz Capital Corp. Option Purchase and Assignment Agreement dated November 30, 2012 (Incorporated by reference to Exhibit 4.7 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)
4.8	Endeavour Silver Corp. Option to Joint Venture Agreement dated July 30, 2012 (Incorporated by reference to Exhibit 4.8 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)
4.9	Controlled Equity Offering Sales Agreement (Incorporated by reference to Exhibit 10.1 to Form 6-K filed with the SEC on December 31, 2013)
4.10	Placement Agency Agreement (Incorporated by reference to Exhibit 10.1 to Form 6-K filed with the SEC on February 21, 2014)
4.11	Form of Subscription Agreement (Incorporated by reference to Exhibit 10.2 to Form 6-K filed with the SEC on February 21, 2014)
4.12	Form of Warrant Agreement (Incorporated by reference to Exhibit 10.3 to Form 6-K filed with the SEC on February 21, 2014)
8.1	List of Subsidiaries
11.1	Code of Ethics (Incorporated by reference to Exhibit 11.1 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)
11.2	Audit Committee Charter (Incorporated by reference to Exhibit 11.2 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)
11.3	Governance & Nominating Committee Charter (Incorporated by reference to Exhibit 11.3 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)
11.4	Compensation Committee Charter (Incorporated by reference to Exhibit 11.2 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)
12.1	Certification of the Principal Executive Officer
12.2	Certification of the Principal Financial Officer
13.1	Certificate under the Sarbanes-Oxley Act of the Principal Executive Officer
13.2	Certificate under the Sarbanes-Oxley Act of the Principal Financial Officer
13.3	Consent of Manning Elliott LLP
13.4	Consent of Tetra Tech

* Previously filed.



AVINO SILVER & GOLD MINES LTD.

Consolidated Financial Statements

For the years ended December 31, 2013, 2012 and 2011

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

The consolidated financial statements as at December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 have been audited by Manning Elliott LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"David Wolfin"

David Wolfin
President & CEO
April 17, 2014

"Malcolm Davidson"

Malcolm Davidson, CA
Chief Financial Officer
April 17, 2014



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2013 and 2012, and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2013, 2012 and 2011, 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, 2013 and 2012, and the results of its operations and its cash flows for the years ended December 31, 2013, 2012 and 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Manning Elliott LLP

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
April 17, 2014

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

	<u>Note</u>	<u>December 31,</u> <u>2013</u>	<u>December 31</u> <u>2012</u>
ASSETS			
Current assets			
Cash and cash equivalents		\$ 3,839,595	\$ 4,035,985
Interest receivable		6,040	1,070
Sales taxes recoverable	5	307,101	196,178
Accounts receivable		1,425,741	254,695
Prepaid expenses and other assets		713,967	126,285
Inventory	6	1,854,468	2,225,840
		<u>8,146,912</u>	<u>6,840,053</u>
Exploration and Evaluation Assets	7	15,686,176	12,828,202
Plant, Equipment and Mining Properties	10	10,564,617	6,308,480
Investments in Related Companies	11	94,040	194,373
Investments in Other Companies	12	55,000	15,000
Reclamation Bonds		5,500	5,500
		<u>\$ 34,552,245</u>	<u>\$ 26,191,608</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,410,947	\$ 1,145,747
Amounts due to related parties	17	156,833	174,714
Current portion of finance lease obligations	18	585,845	156,220
Income taxes payable	24	42,547	-
		<u>2,196,172</u>	<u>1,476,681</u>
Finance Lease Obligations	18	1,090,977	78,732
Reclamation Provision	13	1,833,938	323,140
Deferred Tax Liabilities	24	4,884,130	2,365,677
Total liabilities		<u>10,005,217</u>	<u>4,244,230</u>
EQUITY			
Share Capital	14	42,784,832	42,088,103
Equity Reserves		10,150,849	9,749,674
Treasury Shares (14,180 shares, at cost)		(101,869)	(101,869)
Accumulated Other Comprehensive Income (Loss)		215,680	(330,211)
Accumulated Deficit		(28,502,464)	(29,458,319)
Total Equity		<u>24,547,028</u>	<u>21,947,378</u>
		<u>\$ 34,552,245</u>	<u>\$ 26,191,608</u>

Commitments – Note 20
Subsequent Events – Note 25

Approved by the Board of Directors on April 17, 2014:

Gary Robertson Director

David Wolfen Director

-

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

AVINO SILVER & GOLD MINES LTD.

For the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in Canadian dollars)

	Note	2013	2012	2011
Revenue	16	\$ 16,094,701	\$ 2,255,376	\$ -
Cost of Sales	16	8,968,409	1,434,569	-
Mine Operating Income		<u>7,126,292</u>	<u>820,807</u>	<u>-</u>
General and Administrative Expenses				
Depreciation		687	6,193	803
Directors' fees		155,000	22,500	18,000
Interest expense		52,753	-	-
Investor relations		194,955	247,044	294,882
Management and consulting fees		390,510	224,532	296,260
Office and miscellaneous		722,816	434,011	181,721
Professional fees		311,193	205,578	189,459
Regulatory and compliance fees		140,629	75,738	121,591
Salaries and benefits		1,204,666	561,398	276,866
Sales tax write-down (provision recovery)		-	(47,409)	-
Share-based payments	15	908,362	18,408	2,529,620
Travel and promotion		165,860	181,753	133,445
		<u>4,247,431</u>	<u>1,929,746</u>	<u>4,042,647</u>
Income (loss) before other items and income taxes		2,878,861	(1,108,939)	(4,042,647)
Other Items				
Foreign exchange gain		415,278	116,562	68,404
Interest income		41,604	21,760	78,857
Mineral property option income	8	69,500	54,317	-
Other income		103,802	23,464	10,499
Unrealized loss on investments		(99,833)	(110,021)	(212,966)
Net income (loss) before income tax		<u>3,409,212</u>	<u>(1,002,857)</u>	<u>(4,097,853)</u>
Income taxes				
Current income tax expense	24	(42,547)	-	-
Deferred income tax expense	24	(2,518,453)	(260,321)	(86,498)
		<u>(2,561,000)</u>	<u>(260,321)</u>	<u>(86,498)</u>
Net Income (Loss)		848,212	(1,263,178)	(4,184,351)
Other Comprehensive Income (Loss) -				
Items that may be reclassified subsequently to income or loss				
Currency translation differences of foreign operations		545,891	(67,811)	82,689
Comprehensive Income (Loss)		<u>\$ 1,394,103</u>	<u>\$ (1,330,989)</u>	<u>\$ (4,101,662)</u>
Earnings (Loss) per Share				
Basic		\$ 0.03	\$ (0.05)	\$ (0.16)
Diluted		\$ 0.03	\$ (0.05)	\$ (0.16)
Weighted Average Number of Common Shares Outstanding				
Basic		27,405,179	27,072,053	26,795,632
Diluted		<u>27,701,403</u>	<u>27,072,053</u>	<u>26,795,632</u>

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, 2013, 2012 and 2011
(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, 2011		26,157,227	\$39,193,299	\$ 9,508,838	\$ (101,869)	\$ (345,089)	\$(24,339,389)	\$23,915,790
Common shares issued for cash:								
Share issuance costs		-	(1,539)	-	-	-	-	(1,539)
Exercise of stock options		753,000	592,050	-	-	-	-	592,050
Share-based payments	15	-	-	2,529,620	-	-	-	2,529,620
Fair value of stock options exercised		-	1,936,273	(1,936,273)	-	-	-	-
Options and warrants cancelled or expired		-	-	(203,999)	-	-	203,999	-
Net loss for the year		-	-	-	-	-	(4,184,351)	(4,184,351)
Currency translation differences of foreign operations								
		-	-	-	-	82,689	-	82,689
Balance, December 31, 2011		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	14	82,000	75,600	-	-	-	-	75,600
Shares issued for leased claim payment	7(a)(iv)	135,189	250,100	-	-	-	-	250,100
Fair value of stock options exercised		-	42,320	(42,320)	-	-	-	-
Share-based payments	15	-	-	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	14	361,418	297,185	-	-	-	-	297,185
Fair value of stock options exercised		-	399,544	(399,544)	-	-	-	-
Share-based payments	15	-	-	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

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

AVINO SILVER & GOLD MINES LTD.
For the years ended December 31, 2013, 2012 and 2011
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	<u>Note</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash Provided By (Used In):				
Operating Activities				
Net income (loss)		\$ 848,212	\$ (1,263,178)	\$ (4,184,351)
Adjustments for non-cash items:				
Depreciation, depletion, and accretion		950,013	194,453	803
Share-based payments	15	908,362	18,408	2,529,620
Unrealized loss on investments		99,833	110,021	212,966
Sales tax write-down (provision recovery)		-	(46,640)	-
Mineral property option income	8	(39,500)	(15,000)	-
Other income		(88,637)	-	-
Deferred income tax expense	24	2,518,453	260,321	86,498
		5,196,736	(741,615)	(1,354,464)
Net change in non-cash working capital	19	(1,213,384)	(718,112)	60,463
		3,983,352	(1,459,727)	(1,294,001)
Financing Activities				
Shares issued for cash, net of issuance costs		297,185	75,600	590,511
Finance lease payments		(335,531)	(42,969)	-
		(38,346)	32,631	590,511
Investing Activities				
Proceeds from sale of equipment		88,637	-	-
Recovery of exploration costs from concentrate proceeds		-	3,490,581	3,114,552
Exploration and evaluation expenditures		(901,912)	(2,387,771)	(4,590,331)
Additions to plant, equipment and mining properties		(3,315,192)	(946,286)	(1,483,453)
		(4,128,467)	156,524	(2,959,232)
Change in cash and cash equivalents		(183,461)	(1,270,572)	(3,662,722)
Effect of exchange rate changes on cash and cash equivalents		(12,929)	24,093	(106,662)
Cash and Cash Equivalents, Beginning		4,035,985	5,282,464	9,051,848
Cash and Cash Equivalents, Ending		<u>\$ 3,839,595</u>	<u>\$ 4,035,985</u>	<u>\$ 5,282,464</u>

Supplementary cash flow information (Note 19)

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 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

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

a) Functional currencies

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

b) 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 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.

c) 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).

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgements and Estimates

The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates under different assumptions and conditions.

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:

a) Economic recoverability and probability of future economic benefits from exploration and evaluation costs

Management has determined that exploratory drilling, exploration evaluation, and related costs incurred which 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 life of mine plans.

b) 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.

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:

c) 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.

d) 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.

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgements and Estimates (continued)

d) *Estimated reclamation provisions* (continued)

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

e) *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.

f) *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.

g) *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.

h) *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 life of mine projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that could materially affect the amounts of deferred tax assets and liabilities.

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation

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

Subsidiary	Ownership Interest	Jurisdiction	Nature of Operations
Oniva Silver and Gold Mines S.A., ("Oniva Silver")	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)	Mexico	Mining and exploration
	99.66% effective		

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated 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, 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, and investments in related and other companies 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.

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 exclusive to, geological, geophysical studies, exploratory drilling and sampling. Incidental revenues and operating costs are included in exploration and evaluation costs prior to intended production levels being achieved. When intended production levels are achieved, these costs 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, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

Plant, equipment and mining properties

Once the work completed supports the achievement of management's intended production levels, all expenditures incurred to that date for the mine are reclassified to mining properties. Expenditures capitalized to mining properties include all costs related to exploration, evaluation and development, direct overhead costs and the initial estimate of the reclamation provision. Prior to being reclassified to mining properties, exploration and development costs are assessed for impairment. Subsequent to the commencement of production at levels intended by management, further development 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant, equipment and mining properties (continued)

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.

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 amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and gold concentrate in a saleable form. The Company has bulk silver and gold concentrate inventory in saleable form that has not yet been sold. Mine operating supplies represent commodity consumables and other raw materials used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.

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

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

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue 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 persuasive evidence of a sale agreement exists, the risks of ownership are transferred to the customer, collection is reasonably assured, and the price is readily determinable. 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 which 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 share options are recognized as a deduction from equity, net of any tax effects.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital (continued)

b) Repurchase of share capital (treasury shares)

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

Share-based payment transactions

The Company's share option plan 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 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. 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.

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.

Reclamation provision

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.

3. SIGNIFICANT ACCOUNTING POLICIES(continued)

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the 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.

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.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2013 had no significant impact on the Company's consolidated financial statements for the years presented:

IFRS 10 – Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of the previous IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 – Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under IFRS 11, proportionate consolidation is no longer permitted.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is 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. It also establishes disclosures about fair value measurement.

4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

IAS 27 – Separate Financial Statements

As a result of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 27 *Separate Financial Statements* has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 has been reissued to only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

IAS 28 – Investments in Associates and Joint Ventures

As a consequence of the issuance of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended to provide accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 is applied by all entities that are investors with joint control of, or significant influence over, an investee.

IAS 1 – Presentation of Financial Statements

In June 2011, the IASB issued an amendment to IAS 1, which requires entities to separately present items in other comprehensive income based on whether or not they may be reclassified to profit or loss in future periods.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

In October 2011, the IASB issued IFRIC 20, which requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate (i) that it is probable future economic benefits will flow to the entity, (ii) the component of the ore body for which the access has been improved is identifiable, (iii) the costs related to the stripping activity associated with that component can be reliably measured.

Future IFRS standards and interpretations - A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2013 and have not been applied in preparing these consolidated financial statements.

The following standards will be adopted effective January 1, 2014:

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. Management is currently evaluating the impact the final interpretation is expected to have on the Company's consolidated financial statements.

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. Management is currently evaluating the impact the final interpretation is expected to have on the Company's consolidated financial statements.

4. **RECENT ACCOUNTING PRONOUNCEMENTS** (continued)

The following standard will be adopted effective January 1, 2015:

IFRS 9 – Financial Instruments: Classification and Measurement

As issued, IFRS 9 reflects the first phase of the IASB’s work on the replacement of IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”) and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013. However, the IASB tentatively decided to require mandatory adoption of Amendments to IFRS 9: Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, on or after January 1, 2015.

In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. Management will quantify the effect in conjunction with the other phases, when the final standard, including all phases, is issued.

5. **SALES TAXES RECOVERABLE**

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

	<u>2013</u>	<u>2012</u>
VAT recoverable	\$ 292,242	\$ 167,340
GST/HST recoverable	14,859	28,838
Sales taxes recoverable	<u>\$ 307,101</u>	<u>\$ 196,178</u>

6. **INVENTORY**

	<u>2013</u>	<u>2012</u>
Concentrate inventory	\$ 448,019	\$ 631,859
Process material stockpiles	1,041,994	1,384,973
Materials and supplies	364,455	209,008
	<u>\$ 1,854,468</u>	<u>\$ 2,225,840</u>

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

7. EXPLORATION AND EVALUATION ASSETS

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

	<u>Durango, Mexico</u>	<u>British Columbia, Canada</u>	<u>Yukon, Canada</u>	<u>Total</u>
Balance, January 1, 2012	\$ 16,269,207	\$ 3	\$ 5,144	\$ 16,274,354
Costs incurred during 2012:				
Assays	49,685	-	-	49,685
Rights extension (Note 7(a)(iv))	250,100	-	-	250,100
Assessments and taxes	86,870	-	-	86,870
Drilling and exploration	2,124,503	-	-	2,124,503
Geological and related services	131,856	-	-	131,856
Sales of concentrate	(3,490,581)	-	-	(3,490,581)
Depreciation of plant and equipment	204,334	-	-	204,334
Effect of movements in exchange rates	(136,511)	-	-	(136,511)
Transfer to mining properties (Note 10)	(2,661,265)	-	-	(2,661,265)
Property option proceeds (Note 8(b))	-	-	(5,143)	(5,143)
Balance, December 31, 2012	\$ 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

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 (see Note 10).

7. 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 Papasquiari property

The Santiago Papasquiari property is located near the village of Papasquiari, 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 Minerale de Avino, S.A. de C.V. ("Minerale") whereby Minerale 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 Minerale 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 Minerale a minimum royalty equal to the applicable NSR royalty based on processing at a monthly rate of 15,000 tonnes.

Minerale 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 consist 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 (refer to Note 8(b)).

8. 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, 2013, a total of \$69,500 was recognized as mineral property option income in respect of payments received under these two option agreements (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:

	<u>Cash</u>	<u>Exploration Expenditures</u>
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	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
	<u>US\$ 200,000</u>	<u>US\$ 3,000,000</u>

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.

- (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 Capital 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 12) 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:

	<u>Cash</u>	<u>Exploration Expenditures</u>	<u>Number of Shares</u>
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	–
	<u>\$ 350,000</u>	<u>\$ 7,100,000</u>	<u>550,000</u>

8. MINERAL PROPERTY OPTION AGREEMENTS (continued)

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.

9. NON-CONTROLLING INTEREST

At December 31, 2013, the Company had an effective 99.66% (2012 - 99.28%) interest in its subsidiary Avino Mexico and the remaining 0.34% (2012 - 0.72%) interest represents a non-controlling interest. The accumulated deficit and current year income attributable to the non-controlling interest are insignificant and accordingly have not been recognized in the consolidated financial statements.

10. PLANT, EQUIPMENT AND MINING PROPERTIES

	<u>Mining properties</u>	<u>Office equipment, furniture, and fixtures</u>	<u>Computer equipment</u>	<u>Mine machinery and transportation equipment</u>	<u>Mill machinery and processing equipment</u>	<u>Buildings</u>	<u>TOTAL</u>
	\$	\$	\$	\$	\$	\$	\$
COST							
Balance at January 1, 2012	-	14,180	32,459	1,193,217	1,712,014	328,769	3,280,639
Additions	2,661,265	7,125	57,576	547,663	368,755	-	3,642,384
Effect of movements in exchange rates	19,055	82	643	12,426	14,704	2,343	49,253
Balance at December 31, 2012	<u>2,680,320</u>	<u>21,387</u>	<u>90,678</u>	<u>1,753,306</u>	<u>2,095,473</u>	<u>331,112</u>	<u>6,972,276</u>
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	<u><u>3,433,028</u></u>	<u><u>46,141</u></u>	<u><u>117,457</u></u>	<u><u>4,742,728</u></u>	<u><u>3,502,079</u></u>	<u><u>522,779</u></u>	<u><u>12,364,212</u></u>
ACCUMULATED DEPLETION AND DEPRECIATION							
Balance at January 1, 2012	-	5,912	14,424	146,648	73,030	16,656	256,670
Additions	93,518	2,149	9,042	235,149	42,529	20,093	402,480
Effect of movements in exchange rates	670	12	167	2,716	820	261	4,646
Balance at December 31, 2012	<u>94,188</u>	<u>8,073</u>	<u>23,633</u>	<u>384,513</u>	<u>116,379</u>	<u>37,010</u>	<u>663,796</u>
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	<u><u>221,779</u></u>	<u><u>13,609</u></u>	<u><u>36,181</u></u>	<u><u>916,345</u></u>	<u><u>221,385</u></u>	<u><u>390,296</u></u>	<u><u>1,799,595</u></u>
NET BOOK VALUE							
At December 31, 2013	<u><u>3,211,249</u></u>	<u><u>32,532</u></u>	<u><u>81,276</u></u>	<u><u>3,826,383</u></u>	<u><u>3,280,694</u></u>	<u><u>132,483</u></u>	<u><u>10,564,617</u></u>
At December 31, 2012	<u>2,586,132</u>	<u>13,314</u>	<u>67,045</u>	<u>1,368,793</u>	<u>1,979,094</u>	<u>294,102</u>	<u>6,308,480</u>

10. PLANT, EQUIPMENT AND MINING PROPERTIES (continued)

The mining properties consist of the San Gonzalo mining concession which covers 12 hectares and is located approximately 2 km from the historic Avino mine site. The San Gonzalo mine achieved production levels intended by management as of October 1, 2012, and the Company began to record depletion at that time.

Mine machinery and transportation equipment includes \$456,414 in construction in progress as at December 31, 2013 (December 31, 2012 - \$Nil), on which no depreciation was charged in the year ended December 31, 2013.

11. INVESTMENTS IN RELATED COMPANIES

Investments in related companies comprise the following:

	<u>Cost</u>	<u>Accumulated Unrealized Gains (Losses)</u>	<u>Fair Value December 31, 2013</u>	<u>Fair Value December 31, 2012</u>
(a) Bralorne Gold Mines Ltd.	\$ 205,848	\$ (148,521)	\$ 57,327	\$ 134,362
(b) Levon Resources Ltd.	4,236	32,476	36,712	60,010
(c) Oniva International Services Corp.	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>
	<u>\$ 210,085</u>	<u>\$ (116,045)</u>	<u>\$ 94,040</u>	<u>\$ 194,373</u>

During the year ended December 31, 2013, the Company recorded a \$99,833 unrealized loss (2012 - \$110,021 loss, 2011 - \$212,966 loss) on investments in related companies, representing the change in fair value during the year.

- (a) *Bralorne Gold Mines Ltd. ("Bralorne")*
The Company's investment in Bralorne consists of 179,149 common shares with a quoted market value of \$57,327 as at December 31, 2013 (2012 - \$134,362). 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 \$36,712 as at December 31, 2013 (2012 - \$60,010). 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 20 for disclosure of the Company's commitments with Oniva.

12. 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:

	<u>Cost</u>	<u>Accumulated Unrealized Gains (Losses)</u>	<u>Fair Value December 31, 2013</u>	<u>Fair Value December 31, 2012</u>
(a) Avaron Mining Corp.	\$ 40,000	\$ -	\$ 40,000	\$ 15,000
(b) Benz Capital Corp.	14,500	500	15,000	-
	<u>\$ 54,500</u>	<u>\$ 500</u>	<u>\$ 55,000</u>	<u>\$ 15,000</u>

(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 with Avaron described in Note 8(b).

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

In April 2013, the Company acquired 50,000 common shares of Benz Capital Corp. as part of the option agreement with Benz described in Note 8(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.

13. RECLAMATION PROVISION

Management's estimate of the reclamation provision at December 31, 2013 is a present value of \$1,833,938 (December 31, 2012 - \$323,140). The present value of the obligation was calculated using a risk-free interest rate of 7% (2012 - 7%) and an inflation rate of 4.25% (2012 - 4.0%). Reclamation activities are estimated to occur over a period of years beginning in 2019 to 2023. The undiscounted value of the obligation is \$2,274,153 (2012 - \$368,709).

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

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Balance at beginning of year	\$ 323,140	\$ 292,000
Unwinding of discount	21,596	31,140
Change in estimates	(10,798)	-
Initial recognition of provision for Avino Mine	1,500,000	-
Balance at end of year	<u>\$ 1,833,938</u>	<u>\$ 323,140</u>

14. SHARE CAPITAL

- (a) Authorized: Unlimited common shares without par value
- (b) Issued:
- (i) During the year ended December 31, 2013, the Company issued 361,418 common shares upon exercise of stock options.
- (ii) On February 22, 2012, the Company issued 135,189 common shares under a 20 year royalty agreement with Minerales de Avino S.A. de C.V. The market price of the common shares on February 22, 2012 was \$1.85 per share.
- (c) Warrants:

During 2013 and 2012 there were no warrants issued or exercised. During the year ended December 31, 2013, 5,211,000 warrants expired unexercised. Details of share purchase warrants outstanding are as follows:

	Underlying Shares	Weighted Average Exercise Price
Balance, December 31, 2011	5,211,000	\$ 2.05
Balance, December 31, 2012	5,211,000	\$ 2.05
Balance, December 31, 2013	-	-

Details of share purchase warrants outstanding as of December 31, 2013 and 2012 are:

<u>Expiry Date</u>	<u>Exercise Price per Share</u>	<u>Warrants Outstanding and Exercisable</u>	
		<u>December 31, 2013</u>	<u>December 31, 2012</u>
November 10, 2013	\$ 1.52	-	2,400,000
December 22, 2013	\$ 2.50	-	2,811,000

- (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 or equal to the discounted market price on the grant date and the option term cannot exceed five years from the grant date.

14. **SHARE CAPITAL** (continued)

(d) Stock options (continued)

Continuity of stock options for the years ended December 31, 2013 and 2012 is as follows:

	<u>Underlying Shares</u>	<u>Weighted Average Exercise Price</u>
Stock options outstanding and exercisable, December 31, 2011	2,622,000	\$ 1.80
Granted	30,000	\$ 2.00
Forfeited	(90,000)	\$ 2.17
Expired	-	-
Exercised	<u>(82,000)</u>	<u>\$ 0.92</u>
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	<u>(361,418)</u>	<u>\$ 0.82</u>
Stock options outstanding and exercisable, December 31, 2013	<u>2,642,957</u>	<u>\$ 1.16</u>

As at December 31, 2013, the weighted average remaining contractual life of stock options outstanding was 2.77 years.

Details of stock options outstanding are as follows:

Expiry Date	Exercise Price	Stock Options Outstanding		
		2013	2012	2011
January 16, 2013	\$ 2.00	-	30,000	-
February 27, 2013	\$ 1.65	-	10,000	10,000
February 27, 2013	\$ 0.75	-	295,000	295,000
December 9, 2013	\$ 2.00	-	20,000	20,000
September 22, 2014	\$ 0.75	-	25,000	60,000
January 14, 2015	\$ 0.81	60,000	60,000	60,000
September 10, 2015	\$ 1.05	268,357	290,000	337,000
January 18, 2016	\$ 1.02	924,600	960,000	1,010,000
September 30, 2016	\$ 1.02	760,000	790,000	830,000
February 18, 2018	\$ 1.60	230,000	-	-
Stember 9, 2018	\$ 1.62	400,000	-	-
		<u>2,642,957</u>	<u>2,480,000</u>	<u>2,622,000</u>

14. **SHARE CAPITAL** (continued)

(e) Earnings per share:

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net income (loss) for the year	\$ 848,212	\$ (1,263,178)	\$ (4,184,351)
Basic weighted average number of shares outstanding	27,405,179	27,072,053	26,795,632
Effect of dilutive share options	296,224	-	-
Diluted weighted average number of shares outstanding	<u>27,701,403</u>	<u>27,072,053</u>	<u>26,795,632</u>
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Basic	\$ 0.03	\$ (0.05)	\$ (0.16)
Diluted	<u>\$ 0.03</u>	<u>\$ (0.05)</u>	<u>\$ (0.16)</u>

Basic and diluted loss per share are the same for the years ended December 31, 2012 and 2011 because the Company incurred a net loss in both years and the effects of options and warrants in those years were anti-dilutive.

15. **SHARE-BASED PAYMENTS**

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.

During the year ended December 31, 2011, the Company granted stock options to various directors, officers, employees, and consultants to purchase up to a total of 1,840,000 common shares at a weighted average exercise price of \$2.16 per share pursuant to the Company's stock option plan.

During the year ended December 31, 2013, the Company recorded total amount of share-based payment expense in the amount of \$908,362 (2012 - \$18,408, 2011 - \$2,529,620).

15. SHARE-BASED PAYMENTS (continued)

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Weighted average assumptions:			
Risk-free interest rate	1.45%	1.06%	2.05%
Expected dividend yield	0%	0%	0%
Expected option life (years)	3.45	0.42	4.99
Expected stock price volatility	68.29%	50.89%	76.17%
Weighted average fair value at grant date	<u>\$ 0.55</u>	<u>\$ 0.13</u>	<u>\$ 1.38</u>

16. 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 and Avino mines during the year ended December 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 period. Cost of sales is based on the weighted average cost of contained or recoverable ounces sold for the period. Direct costs include the costs of extracting co-products.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Direct costs	\$ 8,019,083	\$ 1,246,309	-
Depreciation, depletion, and accretion	949,326	188,260	-
	<u>\$ 8,968,409</u>	<u>\$ 1,434,569</u>	<u>-</u>

17. 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 years ended December 31, 2013, 2012 and 2011 were as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Salaries, benefits, and consulting fees	\$ 779,571	\$ 243,011	\$ 362,173
Share-based payments	420,450	-	2,009,400
	<u>\$ 1,200,021</u>	<u>\$ 243,011</u>	<u>\$ 2,371,573</u>

17. 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 December 31, 2013 and 2012 the following amounts were due to related parties:

	December 31, 2013	December 31, 2012
Directors' fees	\$ 10,352	\$ 24,469
Oniva International Services Corp.	135,458	147,845
Sampson Engineering Inc.	1,840	2,400
Andrew Kaplan	1,518	-
Jasman Yee & Associates, Inc.	5,040	-
Wear Wolfin Design	2,625	-
	<u>\$ 156,833</u>	<u>\$ 174,714</u>

(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 20. The transactions with Oniva during the years are summarized below:

	2013	2012	2011
Salaries and benefits	\$ 309,816	\$ 179,555	\$ 151,941
Office and miscellaneous	292,008	276,201	240,810
	<u>\$ 601,824</u>	<u>\$ 455,756</u>	<u>\$ 392,751</u>

In the normal course of operations, the company transacts with companies related to Avino's directors and officers. During the years ended December 31, 2013, 2012, and 2011, the company recorded consulting fees of \$75,014 (2012 - \$63,938; 2011 - \$48,429) from a company controlled by a director, and financial consulting fees of \$30,000 (2012 - \$30,000; 2011 - \$30,000) from a company related to a director.

18. 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 \$2,714,933 (2012 - \$338,825) for this leased mining equipment.

	2013	2012
Not later than one year	\$ 643,312	\$ 156,478
Later than one year and not later than five years	1,146,189	78,863
Less: Future finance charges	(112,679)	(389)
Present value of minimum lease payments	1,676,822	234,952
Less: Current portion	(585,845)	(156,220)
Non-current portion	<u>\$ 1,090,977</u>	<u>\$ 78,732</u>

18. 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 December 31, 2013, the Company had US\$2,157,487 in available credit remaining under this facility.

19. SUPPLEMENTARY CASH FLOW INFORMATION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net change in non-cash working capital items:			
Interest receivable	\$ (4,970)	\$ 52,573	\$ (49,501)
Sales taxes recoverable	(110,923)	79,282	4,868
Accounts receivable	(1,171,047)	622,251	-
Prepaid expenses	(587,682)	(40,020)	(55,775)
Inventory	371,372	(2,225,840)	-
Accounts payable and accrued liabilities	265,200	822,691	126,373
Income taxes payable	42,547	-	-
Amounts due to related parties	(17,881)	(29,049)	34,498
	<u>\$ (1,213,384)</u>	<u>\$ (718,112)</u>	<u>\$ 60,463</u>
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Interest paid	\$ 28,433	\$ 1,471	\$ -
Taxes paid	\$ -	\$ -	\$ -

20. 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 17.

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

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Not later than one year	\$ 254,017	\$ 248,512
Later than one year and not later than five years	364,827	597,188
Later than five years	69,499	76,506
	<u>\$ 688,343</u>	<u>\$ 922,206</u>

Lease payments recognized as an expense during the year ended December 31, 2013 totalled \$63,126 (2012 - \$44,850; 2011 - \$55,416.)

21. 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 December 31, 2013, 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, 2013 in the amount of \$ 3,839,595 (2012 - \$4,035,985) in order to meet short-term business requirements. At December 31, 2013, the Company had current liabilities of \$2,196,172 (2012 - \$1,476,681). Accounts payable have contractual maturities of approximately 30 to 90 days or are due on demand and are subject to normal trade terms. 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. Income taxes are payable within 12 months.

(c) Market Risk

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

21. FINANCIAL INSTRUMENTS (continued)

(c) **Market Risk** (continued)

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:

	December 31, 2013		December 31, 2012	
	MXN	USD	MXN	USD
Cash and cash equivalents	\$ 6,166,837	\$ 2,508,191	\$ 3,586,471	\$ 1,312,607
Sales taxes recoverable	3,599,484	-	2,180,706	-
Amounts receivable	1,897,963	1,197,766	3,096,083	210,076
Accounts payable and accrued liabilities	(10,149,263)	(408,427)	(2,775,290)	(408,437)
Finance lease obligations	-	(1,579,402)	-	(236,157)
Net exposure	1,515,021	1,718,128	6,087,970	878,089
Canadian dollar equivalent	\$ 123,004	\$ 1,827,401	\$ 467,178	\$ 873,611

Based on the net Canadian dollar denominated asset and liability exposures as at December 31, 2013, a 10% fluctuation in the Canadian/Mexican and Canadian/US exchange rates will impact the Company's earnings by approximately \$220,137 (2012 - \$134,078). 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 amounts 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, 2013, 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 \$383,094 (2012 - \$227,572), and a 10% change in the market price of gold would have an impact on net earnings of approximately \$125,612 (2012 - \$45,776).

21. FINANCIAL INSTRUMENTS (continued)

(c) *Price Risk (continued)*

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 December 31, 2013, a 10% change in market prices would have an impact on net earnings of approximately \$14,904 (2012 - \$20,937).

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 measured at fair value on a recurring basis by level within the fair value hierarchy as at December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 3,839,595	-	-
Investments in related companies	94,040	-	-
Investments in other companies	55,000	-	-
	<u>\$ 3,988,635</u>	<u>-</u>	<u>-</u>

22. 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 development 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 shareholders' 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, issue new shares or adjust the amount of cash and cash equivalents. 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.

23. SEGMENTED INFORMATION

The Company's revenues of \$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, 2013, the Company had one customer that accounted for 88% of revenue and another customer that accounted for 12% of revenue. For the year ended December 31, 2012, the Company's revenue was earned from one customer.

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

	<u>2013</u>	<u>2012</u>
Exploration and evaluation assets - Mexico	\$ 15,686,172	\$ 12,828,198
Exploration and evaluation assets - Canada	4	4
Total exploration and evaluation assets	<u>\$ 15,686,176</u>	<u>\$ 12,828,202</u>
	<u>2013</u>	<u>2012</u>
Plant, equipment, and mining properties - Mexico	\$ 10,561,869	\$ 6,305,045
Plant, equipment, and mining properties - Canada	2,748	3,435
Total plant, equipment, and mining properties	<u>\$ 10,564,617</u>	<u>\$ 6,308,480</u>

24. INCOME TAXES

a) Income tax expense

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

	<u>2013</u>	<u>2012</u>
Current income tax expense	\$ 42,547	-
Deferred income tax expense	2,518,453	260,321
Total income tax expense	<u>\$ 2,561,000</u>	<u>\$ 260,321</u>

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

	<u>2013</u>	<u>2012</u>
Net earnings (loss) before tax	\$ 3,409,212	\$ (1,002,857)
Combined statutory tax rate	25.75%	25.00%
Income tax expense (recovery) at the Canadian statutory rate	877,873	(250,714)
Reconciling items:		
Effect of difference in Mexican tax rates	176,081	12,523
Non-tax deductible expenses	298,543	98,816
Change in enacted rates	71,526	68,807
Change in unrecognized benefit of tax losses	183,052	282,604
Special mining duties	1,163,717	-
Benefit (liability) of tax attributes recognized and other items	(209,792)	48,285
Income tax expense recognized in the year	<u>\$ 2,561,000</u>	<u>\$ 260,321</u>

24. 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 is 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 development-type costs but exploration and prospecting costs are deductible when incurred.

As a result of the law becoming enacted in the fourth quarter of 2013, the Company recognized a non-cash expense of \$1,163,717 related to the deferred tax impact of the Special Mining Duty.

b) Deferred income tax assets and liabilities

	<u>2013</u>	<u>2012</u>
Deferred income tax assets	\$ 2,111,963	\$ 2,269,260
Deferred income tax liabilities	(6,996,093)	(4,634,937)
	<u>\$ (4,884,130)</u>	<u>\$ (2,365,677)</u>

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

	<u>2013</u>	<u>2012</u>
Tax losses carried forward	\$ 767,448	\$ 2,269,260
Reclamation provision	694,038	-
Exploration and evaluation assets	(3,804,986)	(3,655,891)
Plant, Equipment and Mining Properties	(3,191,107)	(394,475)
Other deductible (taxable) temporary differences	<u>650,477</u>	<u>(584,571)</u>
Net deferred income tax liabilities	<u>\$ (4,884,130)</u>	<u>\$ (2,365,677)</u>

Unrecognized deductible temporary differences:

Temporary differences and tax losses arising in Canada have not been recognized as deferred 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. The tax effects of unrecognized deductible temporary differences are summarized as follows:

	<u>2013</u>	<u>2012</u>
Tax losses carried forward	\$ 7,795,353	\$ 7,421,481
Property, plant and equipment	211,097	210,410
Investments	348,047	247,712
Resource pools	1,799,659	1,871,812
Other deductible temporary differences	<u>1,523,271</u>	<u>1,574,332</u>
Unrecognized deductible temporary differences	<u>\$ 11,677,427</u>	<u>\$ 11,325,747</u>

24. INCOME TAXES (continued)

The potential benefit of Canadian net operating tax loss carry-forwards and other Canadian deferred income tax assets has not been recognized since the Company cannot be assured that it is more likely than not that such benefit will be utilized in future years.

The deferred income 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.

The Company has capital losses of \$1,472,210 carried forward and \$7,795,353 in non-capital tax losses carried forward available to reduce future Canadian taxable income. The capital losses can be carried forward indefinitely unless used. Additionally, the Company has \$2,558,159 (MXN\$31,276,834 denominated in pesos) in tax losses which are available to reduce future Mexican taxable income. The Company's Canadian non-capital tax losses and Mexican tax losses, if unused, expire as follows:

<u>Year of Expiry</u>	<u>Canada</u>	<u>Mexico</u>
2015	\$ 568,450	\$ –
2020	–	719,396
2021	–	1,838,763
2025	799,044	–
2026	646,331	–
2027	643,498	–
2028	774,118	–
2029	727,183	–
2030	804,957	–
2031	1,268,691	–
2032	1,189,209	–
2033	373,872	–
	<u>\$ 7,795,353</u>	<u>\$ 2,558,159</u>

25. SUBSEQUENT EVENTS

- a) In February 2014, the Company closed a brokered public offering through Noble International Investments, Inc. Total gross proceeds of US\$5,000,000 were raised through the sale of 2,066,117 units at a price of US\$2.42 per unit. Each unit consisted of one common share and one-half of a transferable share purchase warrant (the "Warrants"). Each whole Warrant is exercisable to acquire one additional common share at US\$2.87 per share until February 25, 2017, provided that if the volume weighted average closing market price for the Company's common shares on the NYSE MKT is greater than US\$6.85 per share for a period of twenty consecutive trading days, then the Company may deliver a notice (the "notice") to the warrant holder notifying such holder that the warrants must be exercised within thirty 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.

25. SUBSEQUENT EVENTS (continued)

- b) In February 2014, the Company closed an at-the-market ("ATM") brokered public offering in the United States through Cantor Fitzgerald & Co. of New York. A total of US\$5,741,668 in gross proceeds was raised through the sale of 2,540,709 common shares (the "shares").
- c) Subsequent to December 31, 2013, 130,600 shares were issued pursuant to options exercised for gross proceeds of \$136,762.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

AVINO SILVER & GOLD MINES LTD.

Date: April 17, 2014

By: /s/ David Wolfin
David Wolfin
Chief Executive Officer
(Principal Executive Officer)

List of Subsidiaries

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Ownership Interest</u>
Compañía Minera Mexicana de Avino, S.A. de C.V.	Mexico	99.66%
Promotora Avino S.A. De C.V.	Mexico	79.09%
Oniva Silver and Gold Mines S.A. de C.V.	Mexico	100%

CERTIFICATION

I, David Wolfen, certify that:

1. I have reviewed this Annual Report on Form 20-F of Avino Silver & Gold Mines Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company's and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 17, 2014

By: /s/ David Wolfen

David Wolfen
Principal Executive Officer

CERTIFICATION

I, Malcolm Davidson, certify that:

1. I have reviewed this Annual Report on Form 20-F of Avino Silver & Gold Mines Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company's and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 17, 2014

By: /s/ Malcolm Davidson
Malcolm Davidson
Principal Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Avino Silver & Gold Mines Ltd. (the "Company") on Form 20-F for the period ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Wolfen, Principal Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 17, 2014

By: /s/ David Wolfen
David Wolfen
Principal Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Avino Silver & Gold Mines Ltd. (the "Company") on Form 20-F for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Malcolm Davidson, Principal Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 17, 2014

By: /s/ Malcolm Davidson

Malcolm Davidson
Principal Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference of our report dated April 17, 2014, relating to the consolidated financial statements and schedule of Avino Silver & Gold Mines Ltd. appearing in the Annual Report on Form 20-F of Avino Silver & Gold Mines Ltd. for the year ended December 31, 2013 to the Company's Registration Statements on Form S-8 (SEC File No.: 333-195120) and Forms F-3 (SEC File Nos.: 333-193471 and 333-195144).

/s/ Manning Elliott LLP

Vancouver, Canada
April 17, 2014

CONSENT OF EXPERT

We hereby consent to the use of our name contained in the technical reports on the Property in the Durango Mining District of Mexico dated July 19, 2013 entitled "Technical Report on the Avino Property" and the reference as an expert contained in Annual Report of Avino Silver & Gold Mines Ltd. on Form 20-F for the fiscal year ended December 31, 2013 and incorporated by reference to the Company's Registration Statements on Form S-8 (SEC File No.: 333-195120 and Forms F-3 (SEC File Nos.: 333-193471 and 333-195144).

TETRA TECH WARDROP

Dated: April 17, 2014

/s/ Hassan Ghaffari
Hassan Ghaffari, P.Eng.