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, 2012

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: **0-9266**

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 Wolfin, 570 Granville Street, Suite 900 Vancouver, British Columbia V6C 3P1, Canada,
Tel: 604-682-3701, Email: dwolfin@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	**NYSE Mkt**
Title of Each Class	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 27,127,416 common shares, without par value, issued and outstanding as of December 31, 2012.

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 File ☐ 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 completion and commencement of commercial operations of 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 3D.: 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. 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 the years ended December 31, 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 prior years and the periods ended December 31, 2009 and 2008. 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 set forth in this annual report on Form 20-F for the year ended December 31, 2010 may differ from information previously published. We adopted IFRS with a transition date of January 1, 2010.

GLOSSARY OF MINING TERMS

agglomeration	*Cementing crushed or ground rock particles together into larger pieces, usually to make them easier to handle; used frequently in heap-leaching operations.*
anomalous	*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.*
anomaly	*Any concentration of metal noticeably above or below the average background concentration.*
assay	*An analysis to determine the presence, absence or quantity of one or more components.*
Breccia	*A rock in which angular fragments are surrounded by a mass of finer-grained material.*
cretaceous	*The geologic period extending from 135 million to 65 million years ago.*
cubic meters or m^3	*A metric measurement of volume, being a cube one meter in length on each side.*
cyanidation	*A method of extracting exposed gold or silver grains from crushed or ground ore by dissolving it in a weak cyanide solution.*
diamond drill	*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.*
fault	*A fracture in a rock where there has been displacement of the two sides.*
grade	*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.*
hectare or ha	*An area totaling 10,000 square meters.*
highly anomalous	*An anomaly which is 50 to 100 times average background, i.e. it is statistically much greater in amplitude.*
Ip induced polarization	*A method of ground geophysics surveying employing an electrical current to determine indications of mineralization, also referred to as "IP".*

mineral reserve	*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.*
mineral resource	*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 or 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.*
mineralization	*Usually implies minerals of value occurring in rocks.*
net smelter or NSR Royalty	*Payment of a percentage of net mining profits after deducting applicable smelter charges.*
Oxide	*A compound of oxygen and some other element.*
ore	*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.*
prefeasibility study and preliminary feasibility study	*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.*
probable mineral reserve	*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.*

proven mineral reserve	*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.*
quartz	*Silica or SiO_2, a common constituent of veins, especially those containing gold and silver mineralization.*
Tailings	*Material rejected from a mill after most of the recoverable valuable minerals have been extracted.*
ton	*Imperial measurement of weight equivalent to 2,000 pounds.*
Tonne	*Metric measurement of weight equivalent to 2,205 pounds (1,000 kg)*
Tpd	*Tonnes per day.*
Trench	*A long, narrow excavation dug through overburden, or blasted out of rock, to expose a vein or ore structure.*
veins	*The mineral deposits that are found filling openings in rocks created by faults or replacing rocks on either side of faults.*

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, 2012.

For the years ended December 31, 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 prior years and the periods ended December 31, 2009 and 2008. 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 set forth in this annual report on Form 20-F for the year ended December 31, 2010 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, 2012, 2011 and 2010 and as at December 31, 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,		
	2012	***2011***	***2010***
Summary of Operations:			
Revenue	*$ 2,255,376*	*$ -*	*$ -*
Cost of sales	*1,434,569*	*-*	*-*
Interest Income	*21,760*	*78,857*	*14,206*
Other Income	*23,464*	*10,499*	*-*
Expenses			
Operating and administrative	*1,929,746*	*4,042,647*	*1,110,643*
Unrealized (loss) gain in investments in related companies	*(110,021)*	*(212,966)*	*313,323*
Foreign exchange gain	*116,562*	*68,404*	*19,951*
Deferred income tax expense	*(260,321)*	*(86,498)*	*(27,677)*
Net loss	*(1,263,178)*	*(4,184,351)*	*(790,840)*
Loss per share	*(0.05)*	*(0.16)*	*(0.04)*
Weighted average number of shares outstanding	*27,072,053*	*26,795,632*	*21,059,008*

	2012	2011	2010
Balance Sheet Data:			
Total assets	$ 26,191,608	$ 26,136,355	$ 26,578,517
Cash and cash equivalents	$ 4,035,985	5,282,464	9,051,848
Total liabilities	$ 4,244,230	3,202,096	2,662,727
Shareholders' equity	21,947,378	22,934,259	23,915,790

In accordance with Canadian GAAP

The tables below for the years ended December 31, 2009 and 2008 contain selected financial data prepared in accordance with Canadian GAAP, which have been derived from our previously audited consolidated financial statements for the periods ending on such dates. The financial data presented below for 2009 and 2008 presented in accordance with Canadian GAAP and reconciled to United States GAAP, is not comparable to information prepared in accordance with IFRS.

Canadian GAAP

	Years Ended December 31,	
	2009	2008
Summary of Operations:		
Revenue	$ -	$ -
Interest Income	68,224	146,386
Expenses		
Operating and administrative	669,178	1,575,913
Write-down of Exploration and evaluation assets	608,118	-
Mineral property option revenue	-	25,000
Future income tax benefit (expense)	239,562	(98,653)
Net loss	(987,759)	(1,538,876)
Loss per share	(0.05)	(0.07)
Weighted average number of shares outstanding	20,584,727	20,584,727

	As at December 31,	
	2009	2008
Balance Sheet Data:		
Total assets	$ 19,206,278	$ 20,126,230
Cash and cash equivalents	2,829,605	3,575,241
Total liabilities	2,241,179	2,508,776
Shareholders' equity	16,965,099	17,617,454

United States GAAP

	Years Ended December 31,	
	2009	2008
Summary of Operations:		
Net loss per Canadian GAAP	$ (987,759)	$ (1,538,876)
Adjustments	(95,108)	(1,851,231)
Net loss per US GAAP	(1,082,867)	(3,390,107)
Loss per share per US GAAP	(0.05)	(0.17)

	As at December 31,	
	2009	2008
Balance Sheet Data:		
Total assets under Canadian GAAP	19,206,278	20,126,230
Adjustments	(14,573,506)	(14,861,524)
Total assets under US GAAP	4,632,772	5,264,706
Total equity under Canadian GAAP	16,965,099	17,617,454
Adjustments	(12,879,499)	(12,927,955)
Total equity under US GAAP	4,085,600	4,689,499

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).

Fiscal Year Ended	Average	Period End	High	Low
2008	1.0660	1.2246	1.2969	0.9719
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

The following table sets forth the high and low exchange rate for the past six months based on the noon buying rate. As of April 30, 2013, the exchange rate was CDN$0.9929 for each US$1.

Month	High	Low
November 2012	1.0074	0.9971
December 2012	1.0162	1.0042
January 2013	1.0164	0.9923
February 2013	1.0041	0.9722
March 2013	0.9847	0.9696
April 2013	0.9929	0.9737

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 orebody. Although the Company recently began 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 incurred net losses since our inception and expect losses to continue. We have not been profitable since our inception. For the year ended December 31, 2012, we had a net loss of $1,263,178 and an accumulated deficit at December 31, 2012 of $29,458,319. On October 1, 2012, the Company began to generate net income its operations at the San Gonzalo mine however there is no assurance that any of the Company's operations will be profitable in the future.

As of December 31, 2012, our internal control 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, 2012, 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.

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 economical 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 mineral 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 regulation 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.

Metal Market Prices are highly speculative and volatile. The market price of metals is highly speculative and volatile. Instability in metal prices may affect the interest in mining properties and the development of and production of such properties.

Canadian Title risks. The validity and ownership of mining property holdings can be uncertain and may be contested. Although the Company owns its properties in Canada, there are currently a number of pending and potential native title or traditional land owner claims in Canada. Accordingly, there can be no assurance that the Company's properties in Canada will not be affected.

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 based on proven and probable mineral reserves, the Company actively seeks to expand its mineral reserves, 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 gold and silver 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 reserves to expand current mineral reserves.

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 carryout 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 books 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 undertakes evaluations of opportunities to acquire additional gold and silver 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 gold or silver, 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.

Conflict 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 currently 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" and the Frankfurt Stock Exchange, referred to as the "FSE", 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 fluctuations in the Company's common share price is likely to continue.

Penny stock rules may make it more difficult to trade the Company's common shares. The SEC has adopted regulations which generally define a "penny stock" to be any equity security that has a market price, as defined, less than US$5.00 per share or an exercise price of less than US$5.00 per share, subject to certain exceptions. Our common shares may be covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors such as institutions with assets in excess of US$5,000,000 or an individual with net worth in excess of US$1,000,000 or annual income exceeding US$200,000 or US$300,000 jointly with his or her spouse. For transactions covered by this rule, the broker-dealers must make a special suitability determination for the purchase and receive the purchaser's written agreement of the transaction prior to the sale. Consequently, the rule may affect the ability of broker-dealers to sell our common shares and also affect the ability of our investors to sell their common shares in the secondary market.

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 trades on the TSX Venture Exchange, Tier 2 status under the symbol "ASM", listed on the NYSE-MKT under the symbol "ASM" and on the Berlin & Frankfurt Stock Exchange under the symbol "GV6". In July, 2012, the Company's listing on the TSX Venture Exchange was reclassified to Tier 2 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 acquisition, exploration and development of natural resource properties. The Company's principal business activities have been the exploration and development of a mineral property 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 76.88% 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 in to new additional shares of Avino Mexico. As a result, the Company's ownership interest in Avino Mexico increased to 99.28%.

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", since announcing production at its San Gonzalo Mine located on the Avino property in Durango Mexico in October 2012. Avino's Canadian properties are all at the exploration stage. In order to determine if a commercially viable mineral deposit exists in any of the Company's Canadian properties, further geological work will need to be done and a final evaluation based upon the results obtained to conclude economic and legal feasibility. The Company is currently focusing on production at the Avino mines and will continue to evaluate its Canadian properties 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 Ecológio 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 96.6% direct ownership and an additional 2.68% of Avino Mexico is held through Promotora. The Company's total effective ownership interest in Avino Mexico is 99.28%.

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 99.28% 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

Ownership

The Company has a 99.28% ownership interest in Avino Mexico, a company incorporated under the laws of Mexico. Avino Mexico owns the Avino Property. The Company acquired its initial 49% interest in Avino Mexico in 1968, an additional interest of 39.25% in July 2006, 1.1% interest in December 2007 and most recently 9.93% in February 2009.

In addition to its wholly owned claims, Avino Mexico leases four core mineral claims in consideration for royalties. While the mine was producing from 1974 until 2001, it operated under a lease which expired October 31, 2010. In February 2012, Avino Mexico re-negotiated and entered into a new agreement with Minerales de Avino, S.A. de C.V. ("Minerales") to acquire mineral rights on the four core mineral claims, whereby Avino Mexico will have the exclusive right to explore these claims 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, the Company paid Minerales US$250,000 by the issuance of 135,189 common shares of the Company at a deemed price of $1.85 per share. The Company will have a period of 24 months for the development of mining facilities. The Company has agreed to pay to Minerales a royalty equal to 3.5% of net smelter returns (the "NSR Royalty"), at the commencement of commercial production from the property. In addition, after the development period, if the minimum monthly processing rate of the mine facilities is less than 15,000 tonnes, then the Company must pay to Minerales in any event a minimum royalty equal to the applicable NSR Royalty based on processing at a minimum monthly rate of 15,000 tonnes. Minerales has also granted to the Company the exclusive right to purchase a 100% interest in the leased 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 leased property. The purchase would be completed under a separate purchase agreement for the legal transfer of the property.

Property Description and Location

The Avino Property is located approximately 82 km's to the NE of the city of Durango and covers approximately 1,005.1044 hectares. The property is accessible via a paved public road. The Avino Mine had been an open pit operation until March 1993, at which time Avino Mexico commenced underground operations. Mineralized rock was broken by ripping, drilling and blasting and trucked to the processing plant, approximately 400 meters from the pit, where it was processed. The Avino Mine was an underground operation at the time of its closure in November 2001.

History

The Avino Mine operated from 1974 to 2001, producing about 497 tons of silver, three tons of gold, and 11,000 tons of copper until the suspension of mining operations in November 2001.

The Avino Mine and processing plant were historically 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.

Water for use at the mill is obtained from: (i) the Galeana Well; (ii) the El Caracol Reservoir (iii) Tailings Reclaim Water.

The property was dormant from 2002 to 2006, largely due to low copper and silver prices. As stated above, Avino gained control of the property in July 2006 and exploration resumed that year; this led to the discovery of new mineralization at San Gonzalo and resulting in underground work and bulk sample testing to firm up the grade and metallurgy in the fall of 2010.

Following the bulk sample which was completed in the second quarter of 2011, underground work of the San Gonzalo Mine continued in preparation for on-going production. In October 2012, Avino announced that production had commenced at the San Gonzalo Mine.

Production

The fiscal year ended December 31, 2012 saw Avino transition from an exploration stage to a production stage company. Effective October 1, 2012, commercial production commenced at the San Gonzalo silver-gold-lead-zinc underground mine and ore processing complex, located on the Avino property in the Durango State of Mexico.

Results from the first six months of operations are reported in the table below:

	Oct 2012	***Nov 2012***	***Dec 2012***	***Jan 2013***	***Feb 2013***	***Mar 2013***
Total Mill Feed (dry tonnes)	*6,647*	*6,528*	*6,364*	*6,392*	*6,418*	*6,913*
Average Daily Throughput (tpd)	*214*	*218*	*235*	*228*	*229*	*230*
Days of Operation	*31*	*30*	*27*	*28*	*28*	*30*
Feed Grade Silver (g/t)	*233*	*256*	*287*	*315*	*306*	*307*
Feed Grade Gold (g/t)	*0.93*	*0.99*	*1.19*	*1.27*	*1.19*	*1.40*
Bulk Concentrate (dry tonnes)	*180*	*177*	*181*	*197*	*166*	*206*
Bulk Concentrate Grade Silver (kg/t)	*7.04*	*7.37*	*7.90*	*8.32*	*9.43*	*8.52*
Bulk Concentrate Grade Gold (g/t)	*25.0*	*25.4*	*28.6*	*29.1*	*30.4*	*34.5*
Recovery Silver (%)	*82*	*78*	*78*	*81*	*80*	*83*
Recovery Gold (%)	*72*	*69*	*68*	*70*	*66*	*73*
Mill Availability (%)	*97.2*	*98.1*	*87.9*	*91.1*	*99.0*	*96.7*
Total Silver Produced (kg)	*1,265*	*1,302*	*1,433*	*1,638*	*1,565*	*1,757*
Total Gold Produced (g)	*4,489*	*4,487*	*5,185*	*5,722*	*5,036*	*7,117*
Total Silver Produced (oz) calculated	*40,671*	*41,870*	*46,066*	*52,779*	*50,315*	*56,488*
Total Gold Produced (oz) calculated	*144*	*144*	*167*	*184*	*162*	*228*
Total Silver Equivalent Produced (oz)	*47,888*	*49,083*	*54,401*	*62,781*	*59,228*	*69,098*

Comparative figures from Q4 2012 and Q1 2013 are as follows:

	Q4 2012	***Q1 2013***	***% Change***
Total Mill Feed (dry tonnes)	*19,539*	*19,723*	*0.9*
Average Daily Throughput (tpd)	*222*	*229*	*3.1*
Days of Operation	*88*	*86*	*(2.30)*
Feed Grade Silver (g/t)	*259*	*309*	*19.3*
Feed Grade Gold (g/t)	*1.04*	*1.29*	*24.0*
Bulk Concentrate (dry tonnes)	*538*	*568*	*5.6*
Bulk Concentrate Grade Silver (kg/t)	*7.44*	*8.72*	*17*
Bulk Concentrate Grade Gold (g/t)	*26.33*	*31.4*	*19.3*
Recovery Silver (%)	*79*	*81*	*2.5*
Recovery Gold (%)	*70*	*70*	*0*
Mill Availability (%)	*94.4*	*95.5*	*1.2*
Total Silver Produced (kg)	*4,000*	*4,960*	*24.1*
Total Gold Produced (g)	*14,161*	*17,875*	*26.2*
Total Silver Produced (oz) calculated	*128,607*	*159,582*	*24.1*
Total Gold Produced (oz) calculated	*455*	*574*	*26.2*
Total Silver Equivalent Produced (oz)	*151,372*	*191,107*	*26.2*

Silver equivalent for Q1 2013 was calculated using a 55:1 ratio for silver to gold. For Q4 2012, a 50:1 ratio was used in the calculation. (The ratio was changed to reflect more current gold and silver 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 up due to rounding.

Production from San Gonzalo mine during the months of October and November were sold in 2012. December production was stored in inventory.

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.

The report concluded that the process plant can be brought back into operation in possibly three months contingent upon the availability of operators and mechanics for about US $1 million at 1000 tpd for an operating life of 5 to 10 years.

A 250 tpd ("circuit 1") circuit in the mill was subsequently renovated in 2008-9 in order to process material from the San Gonzalo Mine.

During Q2 2013 a second 250 tpd circuit ("circuit 2") in the mill was commissioned and put into operation for the processing of historic Avino surface stockpiles.

Circuit #	***Throughput (tpd)***	***Source of Mill feed***	***Online Date***
1	*250*	*San Gonzalo*	*Now Online*
2	*250*	*Avino Surface Stockpiles, SG, ET*	*Now Online*
3	*1,000*	*Avino Mine*	*2014*

- Circuit 1 will continue to process high-grade mill feed from the San Gonzalo Mine.
- Circuit 2 will initially be used to process remaining historic aboveground stockpiles left from past mining of the main Avino Vein. The Company expects the stockpiles will provide enough mill feed for approximately seven months of operations. 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.
- Circuit 3 is scheduled to begin processing new material from the main Avino Mine in 2014.

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.

Drilling & Programs 2008 – 2012

After taking control of the property in 2006, Avino commenced a regional drill program that continued into 2012. Exploration initially focused on the Elena Tolosa area of the main Avino vein as well as on a new area known as San Gonzalo. Both areas produced favorable results and are now the company's focus for further development. Ongoing exploration on the property is focused on expanding the San Gonzalo zone as well as outlining the remainder of the Avino Vein and to define new targets on the property such as the Guadalupe, La Potosina, Los Angeles, Aguila Mexicana and Santa Ana.

Details are as follows:

Avino Main Vein (Veta Avino) Elena Tolosa Area ("ET")

During 2007, 2008 and 2012 Avino drilled 27 holes to explore the ET area of the main Avino deposit below level 11.5 where mining had ended in November 2001. The programs explored the vein system below the original workings to ensure that vein widths and copper/silver values continued at depth and will be used in preparing a new NI 43-101 compliant resource estimate for the ET zone by an independent engineering firm.

Results of the 2007 holes (ET07-01 through ET07-10) were released as assays became available. Holes ET-08-01 through ET-08-08 were drilled in 2008 and holes ET-12-01 through ET- 12-09 were drilled in 2012. The results were released as assays became available and are summarized below:

Details are as follows:

ET-08-01

Drilled on the eastern side of the ET shoot below level 9. The hole intersected the Avino vein but gold and silver values are low.

Avino vein 196.90 – 213.40m (16.5m).

Detailed intersections

From (m)	*To (m)*	*Length (m)*	*Description*	*g/t*		*Ppm*		
				Au	*Ag*	*Cu*	*Pb*	*Zn*
196.90	*198.40*	*1.50*	*Avino Vein*	*0.322*	*3.6*	*259*	*149*	*719*
198.40	*199.90*	*1.50*		*0.020*	*7.8*	*97*	*68*	*554*
199.90	*201.40*	*1.50*		*0.054*	*5.2*	*331*	*180*	*665*
201.40	*202.90*	*1.50*		*<0.005*	*2.4*	*306*	*45*	*2079*
202.90	*204.40*	*1.50*		*0.090*	*1.6*	*271*	*54*	*5950*
204.40	*205.90*	*1.50*		*0.005*	*0.6*	*456*	*25*	*2784*
205.90	*207.40*	*1.50*		*<0.005*	*0.8*	*168*	*16*	*4381*
207.40	*208.90*	*1.50*		*<0.005*	*0.8*	*229*	*18*	*2361*
208.90	*210.40*	*1.50*		*0.040*	*1.3*	*178*	*34*	*3494*
210.40	*211.90*	*1.50*		*0.015*	*0.3*	*320*	*23*	*2502*
211.90	*213.40*	*1.50*		*0.005*	*3.0*	*621*	*29*	*3957*

ET-08-02

Drilled on west side of ET shoot 50 m west of workings on level 10.

The hole intersected gold values in the hanging wall of the main Avino vein, 189.75 – 194.25m (4.50m) 2.66 g/t gold 19.7 g/t silver. The overall vein was intersected 189.75 – 213.50m (23.75m).

Detailed intersections

From (m)	*To (m)*	*Length (m)*	*Description*	*g/t*		*Ppm*		
				Au	*Ag*	*Cu*	*Pb*	*Zn*
189.75	*191.25*	*1.50*	*Avino Vein*	*2.635*	*19.4*	*692*	*724*	*817*
191.25	*192.75*	*1.50*		*3.225*	*12.0*	*113*	*95*	*612*
192.75	*194.25*	*1.50*		*2.080*	*27.7*	*224*	*125*	*595*
194.25	*195.75*	*1.50*		*<0.005*	*40.5*	*1734*	*454*	*847*
195.75	*197.25*	*1.50*		*<0.005*	*3.4*	*28*	*184*	*1074*
197.25	*198.75*	*1.50*		*<0.005*	*4.0*	*42*	*168*	*690*
198.75	*200.25*	*1.50*		*<0.005*	*4.9*	*201*	*352*	*1042*
200.25	*201.75*	*1.50*		*<0.005*	*10.6*	*276*	*162*	*670*
201.75	*203.25*	*1.50*		*0.035*	*20.3*	*68*	*320*	*1091*
203.25	*204.75*	*1.50*		*<0.005*	*12.7*	*228*	*413*	*871*
204.75	*206.25*	*1.50*		*<0.005*	*32.2*	*751*	*317*	*530*
206.25	*207.75*	*1.50*		*<0.005*	*8.5*	*1200*	*83*	*410*
207.75	*209.25*	*1.50*		*<0.005*	*10.3*	*957*	*134*	*660*
209.25	*210.75*	*1.50*		*<0.005*	*25.5*	*1180*	*185*	*522*
210.75	*212.25*	*1.50*		*<0.005*	*22.9*	*2220*	*423*	*3806*
212.25	*213.50*	*1.25*		*<0.005*	*36.9*	*400*	*473*	*2021*

ET-08-03

Also drilled on the west side of ET workings approximately 50m beyond end of level 11 ½. Intersected a mineralized breccia in the hanging wall rock 80.40 – 84.50m (4.1m) 3.82 g/t gold, 103 g/t silver. The main vein was intersected 214.55 – 257.85m (43.3m) 0.52 g/t gold, 43 g/t silver.

Detailed intersections

From (m)	To (m)	Length (m)	Description	g/t		Ppm		
				Au	Ag	Cu	Pb	Zn
79.75	80.40	0.65	Breccia Zone	0.020	14.7	409	40	2080
80.40	81.90	1.50		1.396	48.0	2641	148	435
81.90	83.20	1.30		6.720	174.4	2456	327	21
83.20	84.50	1.30		3.703	96.4	1815	818	94
214.55	216.05	1.50	Main Avino Vein	0.135	21.2	315	241	217
216.05	217.55	1.50		0.109	40.6	257	618	318
217.55	219.05	1.50		3.017	113.2	5264	177	123
219.05	220.55	1.50		0.096	7.9	1528	298	330
220.55	222.05	1.50		0.025	8.8	405	253	275
222.05	223.66	1.50		0.128	11.9	520	687	391
223.56	225.05	1.50		0.049	9.6	1592	5318	570
225.05	226.55	1.50		0.105	8.4	631	331	750
226.55	228.05	1.50		0.084	21.1	432	167	487
226.05	229.55	1.50		0.100	21.7	517	1910	584
229.55	231.05	1.50		0.723	82.3	484	4282	3006
231.05	232.55	1.50		1.310	94.9	3753	565	674
From (m)	To (m)	Length (m)	Description	g/t		Ppm		
				Au	Ag	Cu	Pb	Zn
232.55	234.05	1.50	Main Avino Vein	1.890	58.4	574	474	619
234.05	235.55	1.50		1.658	69.1	1117	412	687
235.55	237.05	1.50		2.756	53.0	2590	396	711
237.05	238.55	1.50		1.065	28.7	1816	280	410
238.55	240.05	1.50		0.219	66.5	1263	916	416
240.05	241.55	1.50		0.185	45.3	369	191	424
241.55	243.05	1.50		0.167	42.0	1220	482	438
243.05	244.55	1.50		0.382	48.1	8097	525	2111
244.55	246.05	1.50		0.648	60.7	1638	766	716
246.05	247.55	1.50		0.506	49.7	1311	549	415
247.55	249.05	1.50		0.125	39.7	1343	911	475
249.05	250.55	1.50		0.160	78.1	3430	790	737
250.55	252.05	1.50		0.135	92.9	3617	551	506
252.05	253.55	1.50		0.130	44.4	5739	351	603
253.55	255.05	1.50		0.070	42.6	3395	796	357
255.05	256.55	1.50		0.045	30.0	2971	365	374
256.55	257.85	1.30		0.025	31.4	5772	1510	686

ET-08-04

Hit the Avino vein 75m below the lowest working level 12 of the mine, it intersected the Avino vein from 321.00 - 341.10m (20.1m) which includes 327.00 – 330.00m 3m 1.17 g/t gold, 133 g/t silver.

337.50 – 341.10m (3.6m) 0.04 g/t gold, 128 g/t silver and 327.00 – 341.10m (14.1m) 81 g/t silver, 0.726 copper.

Detailed intersections

From (m)	*To (m)*	*Length (m)*	*Description*	*g/t*		*Ppm*		
				Au	*Ag*	*Cu*	*Pb*	*Zn*
321.00	*322.50*	*1.50*	*Main Avino Vein*	*0.501*	*34.2*	*2378*	*264*	*426*
322.50	*324.00*	*1.50*		*1.146*	*71.0*	*3147*	*421*	*496*
324.00	*325.50*	*1.50*		*0.904*	*55.2*	*4652*	*230*	*288*
325.50	*327.00*	*1.50*		*0.262*	*54.9*	*1395*	*230*	*236*
327.00	*328.50*	*1.50*		*2.174*	*165.0*	*8408*	*509*	*286*
328.50	*330.00*	*1.50*		*0.173*	*101.9*	*7194*	*8582*	*3727*
330.00	*331.50*	*1.50*		*0.053*	*56.0*	*4926*	*5923*	*18300*
331.50	*333.00*	*1.50*		*0.095*	*54.9*	*4081*	*2559*	*561*
333.00	*334.50*	*1.50*		*0.080*	*23.1*	*1089*	*1199*	*301*
334.50	*336.00*	*1.50*		*0.052*	*56.6*	*11000*	*536*	*597*
336.00	*337.50*	*1.50*		*0.030*	*49.7*	*10900*	*170*	*618*
337.50	*339.00*	*1.50*		*0.032*	*156.6*	*14700*	*395*	*853*
339.00	*340.00*	*1.00*		*0.025*	*48.4*	*6149*	*174*	*595*
340.00	*341.10*	*1.10*		*0.064*	*161.8*	*8252*	*2170*	*1765*

ET-08-05

Drilled approximately 80m east of hole ET-08-04 intersected the Avino vein 293.35 – 302.70 (9.35m). It is well off the ET shoot and did not intersect significant gold or silver values but copper values are of interest:

Detailed intersections

From (m)	*To (m)*	*Length (m)*	*Description*	*g/t*		*Ppm*		
				Au	*Ag*	*Cu*	*Pb*	*Zn*
290.95	*292.30*	*1.35*	*Main Avino Vein*	*0.172*	*16.7*	*533*	*3964*	*643*
292.30	*293.35*	*1.05*		*0.096*	*0.5*	*581*	*5078*	*2842*
293.35	*294.85*	*1.50*		*0.379*	*30.8*	*2116*	*8000*	*559*
294.85	*296.35*	*1.50*		*0.050*	*12.3*	*2654*	*7063*	*582*
296.35	*297.60*	*1.25*		*0.568*	*67.3*	*3564*	*3688*	*164*
297.60	*299.10*	*1.50*		*0.062*	*42.4*	*5360*	*1771*	*688*
299.10	*300.60*	*1.50*		*0.020*	*31.8*	*14900*	*896*	*3473*
300.60	*301.70*	*1.10*		*0.060*	*34.4*	*11300*	*282*	*1743*
301.70	*302.70*	*1.00*		*0.130*	*44.2*	*10000*	*469*	*1265*

ET-08-06

Intersects the Avino vein 60m east of final working face on level 11 ½. The Avino vein is wide: 237.60 – 288.70m (51.10m) but gold and silver values are low although some high copper grades were intersected on the foot wall side of the vein:

Detailed intersections

From (m)	*To (m)*	*Length (m)*	*Description*	*g/t*		*Ppm*		
				Au	*Ag*	*Cu*	*Pb*	*Zn*
237.60	*238.25*	*0.65*	*Main Avino Vein*	*0.140*	*74.2*	*3526*	*7260*	*909*
238.25	*239.75*	*1.50*		*0.065*	*22.4*	*2260*	*344*	*383*
239.75	*241.25*	*1.50*		*0.020*	*8.7*	*883*	*43*	*528*
241.25	*242.75*	*1.50*		*0.115*	*10.1*	*2249*	*374*	*1981*
242.75	*244.25*	*1.50*		*0.045*	*8.7*	*2641*	*40*	*631*
244.25	*245.75*	*1.50*		*0.105*	*14.4*	*3472*	*87*	*651*
245.75	*247.25*	*1.50*		*0.072*	*17.1*	*4780*	*41*	*876*
247.25	*248.75*	*1.50*		*0.053*	*20.5*	*6107*	*100*	*950*
248.75	*250.25*	*1.50*		*0.100*	*11.0*	*4619*	*191*	*1044*
250.25	*251.75*	*1.50*		*0.120*	*10.4*	*4869*	*282*	*784*
251.75	*253.25*	*1.50*		*0.035*	*4.0*	*1261*	*45*	*662*
253.25	*254.75*	*1.50*		*0.163*	*14.9*	*2553*	*78*	*835*
254.75	*256.25*	*1.50*		*0.045*	*25.4*	*6483*	*95*	*734*
256.25	*257.75*	*1.50*		*0.015*	*12.0*	*5544*	*40*	*871*
257.75	*259.25*	*1.50*		*0.025*	*39.8*	*5758*	*217*	*521*
259.25	*260.75*	*1.50*		*0.025*	*20.6*	*6136*	*89*	*465*
260.75	*262.25*	*1.50*		*0.015*	*10.5*	*3202*	*74*	*327*
262.25	*263.75*	*1.50*		*0.059*	*24.0*	*3670*	*105*	*533*
263.75	*265.25*	*1.50*		*0.049*	*28.7*	*3252*	*183*	*718*
265.25	*266.75*	*1.50*		*0.053*	*14.2*	*6129*	*112*	*584*
266.75	*268.25*	*1.50*		*0.156*	*47.3*	*7192*	*217*	*399*
268.25	*269.75*	*1.50*		*0.102*	*19.8*	*3342*	*125*	*326*
269.75	*271.25*	*1.50*		*0.030*	*9.1*	*4101*	*38*	*414*
271.25	*272.75*	*1.50*		*0.010*	*9.3*	*2611*	*94*	*455*
272.75	*274.25*	*1.50*		*0.020*	*7.9*	*3355*	*41*	*391*
274.25	*275.75*	*1.50*		*0.020*	*16.5*	*4405*	*58*	*496*
275.75	*277.25*	*1.50*		*0.076*	*82.7*	*4570*	*422*	*979*
277.25	*278.75*	*1.50*		*0.084*	*58.4*	*5545*	*956*	*593*
278.75	*280.25*	*1.50*		*0.010*	*16.6*	*5749*	*74*	*659*
280.25	*281.75*	*1.50*		*0.020*	*18.7*	*4592*	*68*	*575*
281.75	*283.25*	*1.50*		*0.015*	*16.1*	*4219*	*74*	*651*
283.25	*284.75*	*1.50*		*0.038*	*23.6*	*3526*	*7260*	*909*
284.75	*286.25*	*1.50*	*Main Avino Vein*	*<0.005*	*6.7*	*2841*	*22*	*1225*
286.25	*287.75*	*1.50*		*0.092*	*49.4*	*25700*	*44*	*2712*
287.75	*288.70*	*0.95*		*0.105*	*62.5*	*27200*	*57*	*2669*

ET-08-08

Drilled approximately 100m east of the ET-08-01 it intersected the main Avino vein 192.95 – 203.25m (10.3m)

Detailed intersections

From (m)	*To (m)*	*Length (m)*	*Description*	*g/t*		*Ppm*		
				Au	*Ag*	*Cu*	*Pb*	*Zn*
192.95	*194.45*	*1.50*	*Main Avino Vein*	*1.456*	*4.6*	*318*	*57*	*508*
194.45	*195.95*	*1.50*		*0.431*	*4.4*	*329*	*256*	*502*
195.95	*197.10*	*1.15*		*0.325*	*13.5*	*1523*	*2446*	*3813*
197.10	*198.60*	*1.50*		*0.100*	*2.5*	*133*	*355*	*1688*
198.60	*199.70*	*1.10*		*0.048*	*4.4*	*101*	*36*	*1206*
199.70	*200.80*	*1.10*		*0.046*	*5.7*	*69*	*72*	*896*
200.80	*201.75*	*0.95*		*0.203*	*27.2*	*120*	*301*	*627*
201.75	*203.25*	*1.50*		*0.030*	*6.5*	*431*	*43*	*1048*

A further eight holes ET-12-01 through ET-12-09 on the ET zone were released in 2012.

Hole #	*Bearing*	*Dip*	*Down Hole Intersection (from – to)*	*Length (m)*	*Silver (g/t)*	*Gold (g/t)*	*Copper %*
ET-12-01	*332*	*62*	*246.30 – 275.1*	*28.8*	*142*	*0.352*	*0.481*
Including:			*254.40 – 275.1*	*20.7*	*175*	*0.36*	*0.577*
ET-12-02	*335*	*53*	*304.80 – 335.6*	*30.8*	*76*	*0.29*	*1*
ET-12-03	*336*	*59*	*325.25 – 349.9*	*24.65*	*100*	*0.4*	*0.67*
Including:			*349.65 – 349.9*	*0.25*	*1,035*	*0.18*	*1.03*
ET-12-04	*336*	*-63*	*314.40 – 358.3*	*43.9*	*77*	*0.33*	*0.88*
			314.40 – 327.7	*13.35*	*81*	*0.39*	*0.58*
Including:			*327.70 – 334.5*	*6.75*	*28*	*0.31*	*0.72*
			334.50 – 358.3	*23.8*	*77*	*0.33*	*1.12*
ET-12-05	*336*	*-62*	*345.10 – 356.9*	*11.8*	*104*	*0.97*	*0.63*
			345.10 – 345.8	*0.7*	*1,183*	*39.59*	*2.44*
ET-12-06	*336*	*-70*	*380.60 – 388.6*	*8.05*	*258*	*0.11*	*1.14*
ET-12-07	*336*	*64*	*305.40 – 324.70*	*19.3*	*39*	*0.06*	*0.462*
ET-12-08	*336*	*72*	*329.80 – 343.80*	*14.35*	*24*	*0.05*	*0.436*
			343.80 – 365.15	*21.35*	*17*	*0.05*	*0.612*
ET-12-09	*336*	*72*	*339.55 – 387.40*	*47.85*	*19*	*0.03*	*0.441*

**Down hole intersection lengths are reported, true widths are unknown*

Guadalupe

In March 2011, as part of a regional exploration program, Avino drilled an initial 5 holes on the Guadalupe vein. These holes explored higher grade areas along the Guadalupe structure which had been identified by previous surface sampling programs and a coincident IP chargeability anomaly. Results from the first five holes were as follows:

Hole#	*Bearing*	*Dip*	*From (m)*	*To (m)*	*Down Hole Intersection (m)*	*Gold (g/t)*	*Silver (g/t)*	*Copper (ppm)*	*Lead (ppm)*	*Zinc (ppm)*
GPE-11-01	*205*	*45*	*54.80*	*55.40*	*1.10*	*0.167*	*44.25*	*13700*		
GPE 11-02	*207*	*43*	*52.40*	*56.00*	*3.10*	*0.80*	*47.70*	*2372*	*2959*	*1435*

Following up on these promising results, Avino drilled a further 21 holes (GPE 11-03 through GPE-11-23) at Guadalupe

Assay results as follows:

Hole#	**Bearing**	**Dip**	**From (m)**	**To (m)**	**Down Hole Intersection (m)**	**Gold (g/t)**	**Silver (g/t)**	**Copper (ppm)**	**Lead (ppm)**	**Zinc (ppm)**
GPE-11-03	207	42	47.2	50.68	3.45	0.2	156.3	N/A	N/A	N/A
GPE-11-05	359	44	20.75	22.55	1.8	2.88	163	N/A	N/A	N/A
GPE-11-06	211	48	62.4	67.65	5.25	1.53	36	3844	3145	846
GPE-11-07	210	58	72.1	74.25	2.15	1.695	52.5	2284	2125	1216
GPE-11-09	219	49	66.15	67.15	1	0.1	248	N/A	N/A	N/A
GPE-11-10	5	41	109.1	109.7	0.6	1.37	240	13100	1680	4065
GPE-11-12	4	61	15.2	15.4	0.2	0.18	223	6583	908	1186
GPE-11-13	333	54	76.95	77.2	0.25	0.007	216	N/A	96800	167000
includes:			80.1	80.6	0.5	0.42	102	N/A	1140	8431
GPE-11-14	334	76	119.85	122.15	2.3	0.24	199	N/A	N/A	N/A
includes:			121.2	122.15	0.95	0.31	363	N/A	81530	106363
GPE-11-15	19	60	98.75	100.1	1.35	0.12	451	N/A	64244	115433
GPE-11-16	25	70	100.6	102	1.4	0.84	3	N/A	26	158
GPE-11-17	18	40	70.65	71.95	1.3	1.34	79	N/A	3555	1410
GPE-11-19	350	69	104.75	106.4	1.65	0.1	21	N/A	2427	9148
GPE-11-23	321	62	170.55	171.75	1.2	0.24	296	N/A	17800	24300

San Gonzalo

The San Gonzalo structure strikes NW/SE and dips very steeply (85-90°) to SW. During 2007and 2008, Avino drilled 40 holes totaling 9,204 meters to explore San Gonzalo. Results of these holes were released as assays became available.

In 2008, Avino drilled a further 8 holes at San Gonzalo as follows:

Hole SG-08-01 on the San Gonzalo vein intersected a 2.75-metre zone 1.13 g/t gold and 155 g/t silver of gold and silver mineralization with the following values:

SG-08-01

Detailed intersections

From (m)	*To (m)*	*Length (m)*	*Au (g/t)*	*Ag (g/t)*	*Cu (ppm)*	*Pb (ppm)*	*Zn (ppm)*
143.05	*144.40*	*1.35*	*1.330*	*168.6*	*309*	*530*	*3598*
144.40	*145.80*	*1.40*	*0.930*	*142.1*	*131*	*560*	*1540*

Hole SG-08-02 intersected two zones of mineralization. The first zone, located above the San Gonzalo vein in the hanging wall, measured 1.60 metres grading 1.72 g/t gold and 704 g/t silver. The second zone, located within the vein, measured 3.0 metres grading 10.28 g/t gold and 545 g/t silver. Intersection and grade details were as follows:

SG-08-02

Detailed intersections

From (m)	*To (m)*	*Length (m)*	*Au (g/t)*	*Ag (g/t)*	*Cu (ppm)*	*Pb (ppm)*	*Zn (ppm)*
257.50	*258.05*	*.55*	*.420*	*150.2*	*318*	*2832*	*5393*
258.05	*258.70*	*.65*	*3.840*	*1564.4*	*264*	*13100*	*13900*
258.70	*259.10*	*.40*	*0.075*	*68.1*	*79*	*266*	*502*
263.05	*263.75*	*.70*	*10.765*	*1275.6*	*7394*	*106000*	*146000*
263.75	*263.95*	*.20*	*0.115*	*62.3*	*364*	*4916*	*31000*
263.95	*264.70*	*.75*	*2.606*	*587.4*	*4327*	*76200*	*200000*
264.70	*265.30*	*.60*	*7.337*	*224.1*	*2363*	*146000*	*355000*
264.30	*266.05*	*.75*	*22.560*	*204.2*	*917*	*80000*	*126000*

SG-08-02 was drilled to explore a gap between previous holes SG-07-14 (5.40 m @ 1.52 g/t gold and 774 g/t silver) and hole SG-07-22 (2.26 m. @ 1.497 g/t gold 152g/t silver).

SG-08-03

Intersected San Gonzalo vein 322.20-325.7m (3.7m) 0.41 g/t gold 119 g/t silver which includes 322.00-323.70 m (1.7m) 0.2 g/t gold 74.7 g/t silver and 323.70 – 325.7m (2.0m) 0.58 g/t gold 156 g/t silver.

Detailed intersections

From (m)	*To (m)*	*Length (m)*	*Description*	*g/t*		*Ppm*		
				Au	*Ag*	*Cu*	*Pb*	*Zn*
321.40	*322.00*	*0.60*	*Andesite volcanic with quartz veins*	*0.016*	*1.6*	*33*	*126*	*423*
322.00	*322.85*	*0.65*		*0.215*	*74.1*	*409*	*11500*	*2725*
322.85	*323.70*	*0.85*		*0.195*	*75.2*	*389*	*2665*	*3405*
323.70	*324.10*	*0.40*		*0.109*	*221.0*	*3668*	*65000*	*3569*
324.10	*324.90*	*0.80*	*San Gonzalo vein with quartz breccia*	*0.925*	*55.0*	*264*	*6449*	*3610*
324.90	*325.70*	*0.80*		*0.457*	*223.5*	*729*	*15500*	*4012*
325.70	*327.00*	*1.30*		*0.288*	*31.8*	*483*	*2241*	*2408*

SG-08-04

Intersected San Gonzalo vein 261.25-264.6m (3.35m) 0.5 g/t gold 59 g/t silver.

Detailed intersections

From (m)	*To (m)*	*Length (m)*	*Description*	*g/t*		*Ppm*		
				Au	*Ag*	*Cu*	*Pb*	*Zn*
261.25	*261.75*	*0.50*	*San Gonzalo Vein*	*0.802*	*81.0*	*145*	*754*	*1251*
261.75	*262.75*	*1.00*		*0.331*	*61.4*	*234*	*1014*	*2002*
262.75	*263.15*	*0.40*		*0.040*	*11.2*	*39*	*109*	*353*
263.15	*263.70*	*0.55*		*0.990*	*85.0*	*119*	*396*	*794*
263.70	*264.60*	*0.90*		*0.424*	*49.7*	*208*	*440*	*702*

SG-08-05

Did not intersect the San Gonzalo vein but hit a breccia zone which may be part of the vein system. Values were low:

Detailed intersections

From (m)	*To (m)*	*Length (m)*	*Description*	*g/t*		*Ppm*		
				Au	*Ag*	*Cu*	*Pb*	*Zn*
437.75	*438.50*	*0.75*	*Breccia Zone*	*0.030*	*0.1*	*5*	*33*	*32*
438.50	*438.90*	*0.40*		*<0.005*	*<0.1*	*6*	*22*	*76*
438.90	*439.55*	*0.65*		*0.015*	*<0.1*	*7*	*18*	*65*
439.55	*440.35*	*0.80*		*0.010*	*<0.1*	*8*	*14*	*30*

SG-08-06

Intersected San Gonzalo 214.05 – 219.70m (5.65m) 0.88 g/t gold, 235 g/t silver.

Detailed intersections

From (m)	*To (m)*	*Length (m)*	*Description*	*g/t*		*Ppm*		
				Au	*Ag*	*Cu*	*Pb*	*Zn*
214.05	*214.85*	*0.80*	*San Gonzalo vein with Sulphide Minerals*	*0.729*	*204.0*	*2944*	*21400*	*17600*
214.85	*215.95*	*1.10*		*0.523*	*95.0*	*1189*	*5264*	*6417*
215.95	*216.80*	*0.65*		*0.335*	*47.5*	*398*	*1486*	*2918*
216.80	*218.00*	*1.20*		*0.360*	*87.3*	*1960*	*5342*	*7772*
218.00	*218.85*	*0.85*		*3.228*	*758.9*	*3731*	*18500*	*19000*
218.85	*219.70*	*0.85*		*0.402*	*316.1*	*7094*	*17500*	*14800*

San Gonzalo Bulk Sample Program:

NI 43-101 Resource Calculation

Following the 2007-8 San Gonzalo drill program, in 2009 Avino completed a NI-43-101 compliant resource estimate on the portion of the San Gonzalo vein explored in the drill program. Such NI-43-101 is out-dated and the information is not included herein. Avino is working to release an updated NI-43-101 resource estimate which will factor in the work done at San Gonzalo.

In 2011, Avino drilled a further 11 holes at San Gonzalo. The 2011 program was designed to determine the feeder systems for the San Gonzalo deposit, select results are as follows:

Hole #	Bearing	Dip	Hole Length (m)	Intersection (Down Hole Length (m))	Gold (g/t)	Silver (g/t)	Lead (PPM)	Zinc (PPM)
SG -11-12	218	71	312	290.85 - 291.30 (0.45)	1.04	2441	17300	12300
				295.3 - 297.35 (2.05)	6.21	996	8398	13776
SG-11-13	218	71	345	319.70 - 323.40 (3.70)	0.1	11	217	399
SG-11-14	209	61	331	321.05 - 322.70 (1.65)	1.32	216	1601	4124
SG-11-15	211	68	363	349.65 - 350.90 (1.25)	1.16	141	6570	11856
SG-11-16	209	62	334	No Significant Values				
SG-11-17	210	70	383	365.30 - 366.55 (1.25)	0.14	185	2646	3818

San Gonzalo Bulk Sample Program

In 2009 and the early part of 2010, Avino's main focus was to lay the ground work for a bulk sampling program to firm up the grade and the metallurgy of the San Gonzalo deposit. The sampling program was also to provide the needed concentrate material for further evaluation by various smelters and trading companies and for on-site processing if deemed feasible.

Applications for permits to the various regulatory agencies were submitted early in 2009 and the permits were granted within 8 to 12 weeks after the applications were filed.

A major portion of the work and investment over the last couple of years has centered on improving and upgrading the existing mill and equipment.

In December 2009, the Company announced that contract terms had been finalized with Desarrollo Minero Guadalupe S.A. de C.V. ("DMG") for the mining of the 10,000 tonne bulk sample from the San Gonzalo deposit.

The mining contract included collaring of the portal, driving 1,000 meters of development consisting of a decline, crosscuts and raises and the extraction of 10,000 tonnes of mineralized vein material.

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 2,306m 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.

San Gonzalo Bulk Sample Results

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 Gonzales 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 balance provided below:

	Weight	*Assay (g/t)*		*Contents (kg)*		*Contents (oz's)*		*Recovery (%)*	
	Tonnes	*Au*	*Ag*	*AAu*	*Ag*	*Au*	*Ag*	*Au*	*AAg*
Feed	*10,519**	*0.9*	*261*	*9.35*	*2,746.75*	*300.9*	*88,311.7*	*100*	*100*
Concentrate	*232*	*23.8**	*8,998**	*5.52*	*2,087.53*	*177.5*	*67,116.9*	*59*	*76*
Tail	*10,287*	*0.4*	*64*	*3.83*	*659.22*	*123.4*	*21,194.8*	*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)

The net proceeds of the bulk sample program yielded a positive result and demonstrate the viability of the San Gonzalo Project. On the basis of this result, we are proceeding with our mine plan to develop the 3rd, 4th and 5th levels and to provide mill feed at the rate of 250 tonne per day on a sustained basis. Once this throughput has been achieved and is on a sustainable basis, the Company will look at improving and optimizing the economics of the San Gonzalo deposit based on the Wardrop findings. No formal feasibility study has been commissioned after bulk sampling program.

San Gonzalo Mine

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 the year, 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 the 3rd and 4th quarters 2012, sampling results from drifting along the San Gonzalo vein were released. These samples are analyzed for silver, gold, copper, lead and zinc by fire assay and AA methods at the Company's own lab at the mine, providing a quick estimate of vein width, and grade. Channel samples are then taken from the back and sent for assay by Inspectorate Labs for public release in compliance with NI 43-101.

Many of the samples taken produced silver assays results greater than 1,000 g/t confirming earlier drill results which indicated the deposit is significantly higher grade at depth, than at level 2 where the 10,000 tonne bulk sample test was drawn from in 2010.

The lengths sampled to date are as follows:

North West of Cross Cut (old shaft)						
Length along Vein (m)	*Average Width (m)*	*Silver (g/t)*	*Gold (g/t)*	*Copper (ppm)*	*Lead (ppm)*	*Zinc (ppm)*
26.79	*1.67*	*518*	*2.58*	*560*	*6500*	*7540*
13.64	*1.60*	*80*	*0.68*	*300*	*4390*	*7690*
17.02	*1.53*	*622*	*3.33*	*600*	*8350*	*13930*
38.78	*1.65*	*387*	*1.60*	*610*	*5,790*	*9,270*
55.61	*2.15*	*654*	*2.40*	*890*	*13,580*	*24,610*
Includes:						
10.18	***2.22***	***1,380***	***3.24***	***1180***	***9420***	***21120***
Includes sample 166893 on sample line L64 – the highest grade Avino has sampled in 6 years at SG						
	0.40	***14,768***	***14.57***	***12,300***	***39,100***	***39,000***
6.27	*1.90*	*243*	*1.80*	*510*	*3,490*	*6,830*
10.54	*1.47*	*45*	*0.23*	*180*	*2,280*	*5,160*

South East of Cross Cut (Old Shaft)						
Length along Vein (m)	*Average Width (m)*	*Silver (g/t)*	*Gold (g/t)*	*Copper (ppm)*	*Lead (ppm)*	*Zinc (ppm)*
4.56	*2.31*	*357*	*1.56*	*600*	*7430*	*23890*
39.33	*1.79*	*429*	*1.98*	*630*	*4,950*	*8,980*

Avino Mine (Elena Tolosa)

Avino produced ore from the Avino Vein from 1974 to 2001 producing approximately 5 million tons, containing 16 million ounces silver, 96,000 ounces gold and 24 million pounds of copper. The mine was closed in November 2001 due to low metal prices (Silver US$4.37/oz, Gold US$283/oz, Copper US$0.65/lb) and the closure of a key smelter.

Production from 1976 to 1992 was from the Tolosa open pit. Subsequent production was mostly from a 4x4 meter ramp access underground operation using sub-level stoping with a sub-vertical increment restricted from 11 to 15m to counter mine dilution arising from an occasional, semi-incompetent hanging-wall. From 1997 - 2001, the mine operated six days per week, three shifts per day, averaging 1000 tons per day and achieved up to 1300 tpd.

Mineral rights on the concessions, Unification La Platosa, totaling an area of 98.83 hectares which cover 1300 metres along the main Avino deposit were held under an option agreement with a private company (Minerales de Avino SA de SV "Minerales"). That agreement required Avino to pay a 3.5% royalty to Minerales, which expired on October 31, 2010. This new agreement replaces the original expired deal.

In February 2012, Avino, through its wholly owned Mexican subsidiary entered into a new agreement with Minerales whereby Minerales has indirectly granted to the Company the exclusive right to explore and mine the La Platosa property known as the "ET zone".

Terms of the New Agreement

Pursuant to the new agreement, the Company will have 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 grant of these rights, the Company must pay to Minerales a deemed sum of US$250,000, by the issuance of 135,189 common shares of the Company. The Company will have a period of 24 months (the "Development Period") for the development of mining facilities.

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

Minerales has also granted to the Company the exclusive right to purchase a 100% interest in the property at any time during the term of the new 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 completed under a separate purchase agreement for the legal transfer of the property.

Avino Mine Development

Shortly after signing the new Minerales 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 intended to form the basis for a current mineral resource estimate below level 12 to be included in a forthcoming NI 43-101 compliant resource report. The results were consistent with results from drilling conducted between 2006 and 2008 and demonstrated the thickness and consistency of the vein. Full results from the drill program can be viewed in the section above titled Exploration.

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. At the time of this report, the water level had receded down to level 8 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 (level 11) within 6 to 8 months with operations expected to resume in Q1 2014.

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.

Historic Avino Mine Above Ground 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 was 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.

Tailings

Avino continues to explore options for upgrading the mine's tailings resource. 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 talings) mining. Improved metals markets now potentially enable Avino to process the remaining silver and gold in the tailings.

An NI 43-101 resource estimate on the oxide tailings was completed in July 2005. The assay values for this estimate are based on 28 drill holes, which were completed on the tailings in 1990, and include 407.75 m of drilling and 383 assays of both gold and silver. The oxide tailings are estimated to contain a 2.34 million tonne inferred mineral resource grading 91.3 g/t silver and 0.54 g/t gold, with a 50 g/t silver cut-off. The oxide tailings were produced between 1974 and 1993 from open pit mining of the main Avino vein. The entire resource is classified as an Inferred Mineral Resource based on the historical nature of the drilling (prior to institution of NI 43-101 and associated quality assurance/quality control (QA/QC) requirements).

In 2012 an updated Technical Report* on the Avino Property was published which focused on the oxide tailings resource. The new study factored in current metals prices (US$1,271 oz Gold, US$20.59 silver) for a base case analysis of the project as well as a spot price analysis using (US$1,622.20 Gold, US$28.36 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*

**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, FAusIIM, 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.*

Note on Mineral Resources

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 to them to be categorized as mineral reserves. At this time there is no certainty that the preliminary assessment and economics will be realized.

Eagle Property

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 $2,504.

Property Description and Location. The 516 ha property is located in the Yukon Territory approximately kilometers west of Keno City. 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 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.
- Issue a total 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 commercial production within 3 years, subject to a 2.5% Net Smelter Return and a minimum $200,000 annual advance royalty payments 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 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 the 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 shift the first anniversary cash payment and work commitment down for a 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 proposed to conduct any work at the Eagle property since it is subject to an option to Avaron.

Olympic-Kelvin Property

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 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 gold and silver and have received considerable past work, including at least four adits.

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

Minto Property

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

Ownership. Avino is, directly or through its wholly-owned Mexican subsidiary Compania Minera Mexicana de Avino, S.A. de C.V., the sole legal and beneficial owner of 100% of the rights, title and interest in and to the 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. (Report August 1995)

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 approximately 300 metres length before it reached the main shoot described in the 1995 report. Three holes were drilled below the adit, 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, Durango State, Mexico, 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)

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

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 1312.42hectares. Avino assembled the land package between1999 and 2005.

The Ana Maria property, located near Gomez Palacio consists of 9 adjoining concessions and covers approximately2545hectares. 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, 2012, 2011 and 2010 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, 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. Oper*ating Results*

Developments for 2012

San Gonzalo

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 the year, 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.

Production at San Gonzalo

The Company declared production to have been achieved as of October 1, 2012 at its San Gonzalo mine and Avino processing facility. Results from the first six months of operations are reported in the table below:

	Oct 2012	*Nov 2012*	*Dec 2012*	*Jan 2013*	*Feb 2013*	*Mar 2013*
Total Mill Feed (dry tonnes)	*6,647*	*6,528*	*6,364*	*6,392*	*6,418*	*6,913*
Average Daily Throughput (tpd)	*214*	*218*	*235*	*228*	*229*	*230*
Days of Operation	*31*	*30*	*27*	*28*	*28*	*30*
Feed Grade Silver (g/t)	*233*	*256*	*287*	*315*	*306*	*307*
Feed Grade Gold (g/t)	*0.93*	*0.99*	*1.19*	*1.27*	*1.19*	*1.40*
Bulk Concentrate (dry tonnes)	*180*	*177*	*181*	*197*	*166*	*206*
Bulk Concentrate Grade Silver (kg/t)	*7.04*	*7.37*	*7.90*	*8.32*	*9.43*	*8.52*
Bulk Concentrate Grade Gold (g/t)	*25.0*	*25.4*	*28.6*	*29.1*	*30.4*	*34.5*
Recovery Silver (%)	*82*	*78*	*78*	*81*	*80*	*83*
Recovery Gold (%)	*72*	*69*	*68*	*70*	*66*	*73*
Mill Availability (%)	*97.2*	*98.1*	*87.9*	*91.1*	*99.0*	*96.7*
Total Silver Produced (kg)	*1,265*	*1,302*	*1,433*	*1,638*	*1,565*	*1,757*
Total Gold Produced (g)	*4,489*	*4,487*	*5,185*	*5,722*	*5,036*	*7,117*
Total Silver Produced (oz) calculated	*40,671*	*41,870*	*46,066*	*52,779*	*50,315*	*56,488*
Total Gold Produced (oz) calculated	*144*	*144*	*167*	*184*	*162*	*228*
Total Silver Equivalent Produced (oz)	*47,888*	*49,083*	*54,401*	*62,781*	*59,228*	*69,098*

Comparative figures from Q4 2012 and Q1 2013 are as follows:

	Q4 2012	*Q1 2013*	*% Change*
Total Mill Feed (dry tonnes)	*19,539*	*19,723*	*0.9*
Total Mill Feed (dry tonnes)	*19,539*	*19,723*	*0.9*
Average Daily Throughput (tpd)	*222*	*229**	*3.1*
Days of Operation	*88*	*86*	*(2.30)*
Feed Grade Silver (g/t)	*259*	*309**	*19.3*
Feed Grade Gold (g/t)	*1.04*	*1.29**	*24.0*
Bulk Concentrate (dry tonnes)	*538*	*568*	*5.6*
Bulk Concentrate Grade Silver (kg/t)	*7.44*	*8.72**	*17*
Bulk Concentrate Grade Gold (g/t)	*26.33*	*31.4**	*19.3*
Recovery Silver (%)	*79*	*81**	*2.5*
Recovery Gold (%)	*70*	*70**	*0*
Mill Availability (%)	*94.4*	*95.5**	*1.2*
Total Silver Produced (kg)	*4,000*	*4,960*	*24.1*
Total Gold Produced (g)	*14,161*	*17,875*	*26.2*
Total Silver Produced (oz) calculated	*128,607*	*159,582*	*24.1*
Total Gold Produced (oz) calculated	*455*	*574*	*26.2*
Total Silver Equivalent Produced (oz)	*151,372*	*191,107*	*26.2*

Silver equivalent for Q1 2013 were calculated using a 55:1 ratio for silver to gold. For Q4 2012, a 50:1 ratio was used in the calculation. (The ratio was changed to reflect more current gold and silver 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 up due to rounding.

- Feed grade for silver during Q1 2013 increased by 19.3% over Q4 2012
- Feed grade for gold during Q1 2013 increased by 24% over Q4 2012
- Bulk concentrate grades for silver and gold increased by 17% and 19.3% respectively during Q1 2013 as compared to Q4 2012
- The above resulted in a 24.1% and 26.2% increase in silver and gold production respectively.

Milling - Historic Avino Mine Above Ground 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 was 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 ET Stockpiles*	*14,600*	*176*	*17,875*	*220*	*28,875*
Q2	*Historic ET Stockpiles*	*16,900*	*134*	*14,129*	*180*	*23,129*
Q3	*Historic ET Stockpiles*	*20,015*	*323*	*31,024*	*381*	*50,074*
Total	*Historic ET 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.

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 totaled 3,263 metres through 9 holes was intended to form the basis for a current mineral resource estimate below level 12 to be included in a forthcoming NI 43-101 compliant resource report. The results were consistent with results from drilling conducted between 2006 and 2008 and demonstrated the thickness and consistency of the vein. Full results from the drill program can be viewed in the exploration section above.

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. As of April 30, 2013, the water level had receded down to level 8 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 (level 11) within 6 to 8 months with operations expected to resume in 2014.

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 Q4 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 Company expects the stockpiles will provide enough mill feed for approximately seven months of operations. During the third quarter of 2012, Circuit 1 (250 tpd) produced 50,074 ounces of silver equivalent (calculated) from the same stock piles, Avino expects output will be similar from Circuit 2 once it's activated in Q2 of this year. 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, 2012, and 2011.*

Twelve months ended December 31, 2012 compared with the twelve months ended December 31, 2011.

Revenues

On October 1, 2012, Avino achieved commercial production at the San Gonzalo mine. During the fourth quarter the San Gonzalo mine produced 561 tonnes of bulk silver/gold concentrate recognizing revenues of $2,255,376 on the sale of 368 tonnes of concentrate bulk silver/gold with a cost of sales of $1,434,569 for a gross profit of $820,807. Metal prices for revenues recognized in that period, weighted by dollar of revenue recognized averaged US$31.54 per ounce of silver, US$1,680 per ounce of silver.

Prior to commencing commercial production at San Gonzalo on October 1, 2012, the Company's processing facility was used to treat process historic stockpiles remaining from the previous operation prior to 2001. In accordance with Company's accounting policy, the proceeds from concentrate sales for the first nine months of 2012 was recorded as a reduction of exploration and evaluation costs. During the first nine months this activity produced 633 tonnes of concentrate generating proceeds of $3,490,581.

Operating and administrative expenses

Operating and administrative expenses were $1,929,746 for the year ended December 31, 2012 as compared with of $4,042,647 for the year ended December 31, 2011, a decrease of $2,112,901. The decrease was primarily due to a reduction in share-based payments to employees, directors, and consultants which decrease by $2,511,212 during the year. The decrease in share-based payments is due to more options being granted in the year ended December 31, 2011, than for the year ended December 31, 2012. The decrease in share-based payments was partially offset by increases in office and miscellaneous of $331,322 and salaries and benefits $284,532.

Loss for the year

The loss for the year ended December 31, 2012 was $1,263,178 compared with a loss of $4,184,351 for the year ended December 31, 2011, a decrease in loss of 2,921,173. The significant differences include the recognition of mine operating income of $820,807 and a decrease of share-based payments of $2,511,212.

Twelve months ended December 31, 2011 compared with the twelve months ended December 31, 2010

Operating and administrative expenses

Operating and administrative expenses were $4,042,647 for the year ended December 31, 2011 as compared with of $1,110,643 for the year ended December 31, 2010, an increase of $2,932,004. The increase was primarily due to share-based payments to employees, directors, and consultants which increased by $2,187,872 during the year. The increase in share-based payments is due to more options being granted in the current year. Other increases include $105,786 in office and miscellaneous due to an increase in mining activity at the Company's Mexican subsidiary and higher occupancy costs incurred by the parent company. There were also increases in management fees of $200,260 due to a one-time bonus paid to the CEO, and an increase in investor relation expenses of $195,432 due to the NYSE Mkt listing and increased promotional media.

Loss for the year

The loss for the year ended December 31, 2011 was $4,184,351 compared with a loss of $790,840 for the year ended December 31, 2010, an increase in loss of $3,393,511. The significant differences include an increase in general and administrative expenses of $2,932,004 as discussed above. This was offset by an increase in interest income of $64,651 and an increase in gain on foreign exchange of $48,453 due to fluctuations in the Mexican Peso and US Dollar. The Company incurred an unrealized loss on investments in related companies of $212,966 compared to an unrealized gain of $313,323 in the prior year which resulted in an increase in unrealized loss of $526,289.

B. Liquidity and Capital Resources

During the year ended December 31, 2012, the Company incurred expenditures relating to its Mexican properties of $2,392,914 which was offset by the sale of concentrate of $3,490,581. The Company had non-cash additions to Mexican properties of $250,100 relating to deferred depreciation on property, plant, and equipment and $204,334 relating to common shares issued for rights extension, and non-cash reductions of $2,661,265 and $136,511 relating to amounts transferred to mining properties and movements in foreign exchange . The net decrease to Exploration and evaluation assets at the Company's Mexican properties was $3,441,009. The Company also acquired property, plant and equipment of $981,119, not including the amount transferred from exploration and evaluation assets, net of depreciation of $308,962 and foreign exchange movements of $26,222 The Company is now in commercial production and earned operating revenues of $2,255,376 in addition to interest and other income of $45,224 during the year ended December 31, 2012.

During the year ended December 31, 2011, the Company incurred expenditures relating to its Mexican properties of $3,831,493 which was offset by the sale of concentrate of $3,114,552. The Company had non-cash additions to Mexican properties of $232,821, $292,000, and $137,749 relating to deferred depreciation on property, plant, and equipment, reclamation provision, and movements in foreign exchange respectively. The net change to exploration and evaluation assets at the Company's Mexican properties was a decrease of $1,376,871. The Company also acquired property, plant and equipment of $1,483,453 net of depreciation of $235,566 and foreign exchange movements of $53,544.

The Company's cash and cash equivalents at December 31, 2012 totaled $4,035,985 compared to $5,282,464 at December 31, 2011, while working capital totaled $5,363,372 compared to $5,723,398 for the same dates respectively. At December 31, 2012, the Company had current liabilities of $1,476,681 (2011 - $804,740). 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.

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, 2012, the Company had the following contractual obligations:

	Payment due by period				
	Total	***<1 year***	***1-3 Years***	***3-5 Years***	***More than 5 years***
Trade payables and other payables	*$ 1,145,747*	*$ 1,145,747*		*-*	*-*
Minimum rental and lease payments	*922,206*	*248,512*	*495,788*	*101,400*	*76,506*
Deferred Income Tax Liabilities	*2,365,677*	*-*		*-*	*2,365,677*
Total	*$ 4,433,630*	*$ 1,394,259*	*$ 495,788*	*$ 101,400*	*$ 2,442,183*

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 3 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 30, 2013. 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, 2013.

Name and Present Position with the Company	***Principal Occupation***	***Director/Officer Since***
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., Mill Bay Ventures Inc. and Sage Gold Inc.	August 2005
David Wolfin Director/President/CEO	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., Mill Bay Ventures Ltd. 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	Corporate Secretary of Bralorne Gold Mines Ltd., Ltd., and Levon Resources Ltd.	September 2008
Malcolm Davidson* Chief Financial Officer	Chief Financial Officer of Coral Gold Resources Ltd., Gray Rock Resources Ltd., and Avaron Mining Corporation	March 2012

***** Ms. Lisa Sharp resigned as CFO on March 5, 2012 and Mr. Malcolm Davidson was appointed as CFO on the same date.

B. Compensation

During the last completed fiscal year of the Company, the Company had three executive officers, namely, David Wolfin, Chief Executive Officer; Malcolm Davidson, Chief Financial Officer (appointed on March 5, 2012); and Lisa Sharp, former Chief Financial Officer who resigned on March 5, 2012.

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 Andew 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.

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 [directors] 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, 2012 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 ($)[4]	All other compensation ($)	Total compensation ($)
DAVID WOLFIN[5] President, CEO & Director	2012	$150,000	NIL	NIL	NIL	NIL	NIL	$150,000
	2011	$145,500	NIL	$1,058,200	150,000	NIL	NIL	$1,353,700
	2010	$96,000	NIL	$65,300	NIL	NIL	NIL	$161,300
MALCOLM DAVIDSON 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
	2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A
LISA SHARP FORMER CFO*	2012	$9,063	NIL	NIL	NIL	NIL	NIL	$9,063
	2011	$27,521	NIL	$124,600	NIL	NIL	NIL	$152,121
	2010	$20,992	NIL	$18,300	NIL	NIL	NIL	$39,292

[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 no new option based awards issued during the year.
[3] The Company's sole non-equity incentive plan is the payment of a discretionary cash bonus.
[4] The Company does not have any pension plans.
[5] 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.
*Ms. Lisa Sharp resigned as CFO on March 5, 2012 and Mr. Malcolm Davidson was appointed as CFO on the same date.

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, 2012:

	Option-based Awards				Share-based Awards		
Name	**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 President, CEO & Director	65,000	$0.75	Feb. 27, 2013	$69,550	Nil	Nil	Nil
	15,000	$0.81	Jan 14, 2015	$15,150	Nil	Nil	Nil
	95,000	$1.05	Sept 15, 2015	$73,150	Nil	Nil	Nil
	410,000	$2.30	Jan 18, 2016	N/A	Nil	Nil	Nil
	360,000	$2.00	Sept 30, 2016	N/A	Nil	Nil	Nil
MALCOLM DAVIDSON CFO	20,000	$2.30	Jan 18, 2016	N/A	Nil	Nil	Nil
	40,000	$2.00	Sept 30, 2016	N/A	Nil	Nil	Nil
	25,000	$1.60	Feb 18, 2018	$5,500	Nil	Nil	Nil

[1] In-the-Money Options are the difference between the market value of the underlying securities at December 31, 2012 and the exercise price of the option. The closing market price for the Company's common share as at December 31, 2012 was $1.82 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, 2012:

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 Wolfin President, CEO and Director	Nil	Nil	Nil
Malcolm Davidson CFO	Nil	Nil	Nil
Lisa Sharp Former CFO	Nil	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, 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 Mr. Wolfin electing to give the Company not less than 3 months prior notice of such termination;

b) by the Company electing to give Mr. Wolfin 3 months prior notice of such termination along with a termination payment equal to the annual consulting fee; and

c) by Mr. Wolfin 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 Mr. Wolfin so elects to terminate this Agreement, then Mr. Wolfin will be entitled to a termination payment equal to the annual consulting fee within thirty (30) days of the date of termination.

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:

iii) 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

iv) 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, 2012:

Name	Fees earned ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
Michael* Baybak	$6,000	NIL	NIL	NIL	NIL	NIL	$6,000
Gary* Robertson	$6,000	NIL	NIL	NIL	NIL	NIL	$6,000
Jasman Yee	$6,000	NIL	NIL	NIL	NIL	NIL	$6,000
Andrew* Kaplan	$4,500	NIL	NIL	NIL	NIL	NIL	$4,500

*Independent & Non-Employee Directors

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, 2012:

	Option-based Awards				Share-based Awards		
Name (1)	**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 ($)**	**Market or payout value of share-based awards not paid out or distributed ($)**(1)
Michael Baybak	25,000	$0.75	Feb 27, 2013	$26,750	Nil	Nil	Nil
	15,000	$0.81	Jan 14, 2015	$15,150	Nil	Nil	Nil
	20,000	$1.05	Sept 10, 2015	$15,400	Nil	Nil	Nil
	100,000	$2.30	Jan 18, 2016	Nil	Nil	Nil	Nil
	40,000	$2.00	Sept 30, 2016	Nil	Nil	Nil	Nil
	25,000	$1.60	Feb 18, 2018	$5,500	Nil	Nil	Nil
Gary Robertson	25,000	$0.75	Feb 27, 2013	$26,750	Nil	Nil	Nil
	15,000	$0.81	Jan 14, 2015	$15,150	Nil	Nil	Nil
	30,000	$1.05	Sept 10, 2015	$23,100	Nil	Nil	Nil
	100,000	$2.30	Jan 18, 2016	Nil	Nil	Nil	Nil
	60,000	$2.00	Sept 30, 2016	Nil	Nil	Nil	Nil
	25,000	$1.60	Feb 18, 2018	$5,500	Nil	Nil	Nil
Jasman Yee	15,000	$0.75	Sept 22, 2014	$16,050	Nil	Nil	Nil
	30,000	$1.05	Sept 10, 2015	$23,100	Nil	Nil	Nil
	100,000	$2.30	Jan 18, 2016	Nil	Nil	Nil	Nil
	60,000	$2.00	Sept 30, 2016	Nil	Nil	Nil	Nil
	25,000	$1.60	Feb 18, 2018	$5,500	Nil	Nil	Nil
Andrew Kaplan	20,000	$2.00	Dec 9, 2013	Nil	Nil	Nil	Nil
	5,000	$2.30	Jan 18, 2016	Nil	Nil	Nil	Nil
	40,000	$2.00	Sept 30, 2016	Nil	Nil	Nil	Nil
	25,000	$1.60	Feb 18, 2018	$5,500	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, 2012 and the exercise price of the option. The closing market price of the Company’s common shares as at December 31, 2012 was $1.82 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, 2012:

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	Nil	Nil	Nil
Gary Robertson	Nil	Nil	Nil
Jasman Yee	Nil	Nil	Nil
Andrew Kaplan	Nil	Nil	Nil

(1) For the compensation of David Wolfin, 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

The Company entered into a consulting agreement between Intermark Capital Corporation, a company wholly owned by David Wolfin, the named executive officer of the Company on January 1, 2013. 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 & Special Meeting, held on June 22, 2012, 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, 2012, the Board met five 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 Jasman Yee, two of whom are independent. Jasman Yee is not independent because he provided consulting services to the Company. 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 a 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 and the Chief Executive Officer which the Compensation Committee feels is suitable. 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, two of whom are unrelated; Mr. Yee is not unrelated.

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, 2012, the Company has 85 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, 2011, the Company had 69 employees located in Mexico, and as at December 31, 2010, the Company had 40 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 30, 2013:

Name of Beneficial Owner	Number of Shares	Percent
Michael Baybak	64,700	*
Gary Robertson	122,900	*
David Wolfin	381,184	1.4%
Jasman Yee	44,643	*
Andrew Kaplan	9,375	*
Malcolm Davidson	Nil	N/A

*Less than one percent

Outstanding Options

The following information, as of April 30, 2013, reflects outstanding options held by the individuals referred to in "Compensation":

	No. of Shares	Date of Grant	Exercise Price	Expiration Date
	15,000	Jan 14, 2010	$0.81	Jan 14, 2015
	95,000	Sept 10, 2010	$1.05	Sept 10, 2015
David Wolfin	410,000	Jan 18, 2011	$2.30	Jan 18, 2016
President, CEO and Director	360,000	Sept 30, 2011	$2.00	Sept 30, 2016
Malcolm Davidson	20,000	Jan 18, 2011	$2.30	Jan 18, 2016
CFO	40,00	Sept 30, 2011	$2.00	Sept 30, 2016
	25,000	Feb 18, 2013	$1.60	Feb 18, 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	$2.30	Jan 18, 2016
	40,000	Sept 30, 2011	$2.00	Sept 30, 2016
	25,000	Feb 18, 2013	$1.60	Feb 18, 2018
Gary Robertson	15,000	Jan 14, 2010	$0.81	Jan 14, 2015
Director	30,000	Sept 10, 2010	$1.05	Sept 10, 2015
	100,000	Jan 18, 2011	$2.30	Jan 18, 2016
	60,000	Sept 30, 2011	$2.00	Sept 30, 2016
	25,000	Feb 18, 2013	$1.60	Feb 18, 2018
Jasman Yee	22,857	Sept 10, 2010	$1.05	Sept 10, 2015
Director	100,000	Jan 18, 2011	$2.30	Jan 18, 2016
	60,000	Sept 30, 2011	$2.00	Sept 30, 2016
	25,000	Feb 18, 2013	$1.60	Feb 18, 2018
	10,625	Dec 09, 2010	$2.00	Dec 09, 2013
	5,000	Jan 18, 2011	$2.30	Jan 18, 2016
Andrew Kaplan	40,000	Sept 30, 2011	$2.00	Sept 30, 2016
Director	25,000	Feb 18, 2013	$1.60	Feb 18, 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 30, 2013, 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 other than:

Name	Number of Common Shares	Percentage
Sprott Inc. (1)	4,774,600	15.9

(1) Sprott Inc. and Sprott Canadian Equity Fund have filed a Joint Schedule 13G in which they have indicated that they beneficially own 4,774,600 common shares.

As of April 30, 2013, there were 27,433,934 common shares issued and outstanding. Of those common shares issued and outstanding, 22,202,407 common shares were held by 277 shareholders whose addresses were in Canada.

B. Related Party Transactions

During the year ended December 31, 2012, the Company paid, or made provision for the future payment of the following amounts to related parties:

i) $455,756 (2011 - $392,751) for administrative expenses (rent, salaries, office supplies and other miscellaneous disbursements) to Oniva International Services Corp ("Oniva"), a private company beneficially owned by the Company and a number of other public companies related through common directors;

ii) $150,000 (2011 - $295,500) to a private company controlled by Mr. Wolfin for management fees;

iii) $63,938 (2011 - $48,429) to a private company controlled by a director of a related company for geological consulting services;

iv) $22,500 (2011 - $18,750) to Directors for Directors fees.

v) The amounts due to related parties consist of $147,845 (December 31, 2011 - $179,338) due to Oniva; $24,469 (December 31, 2011 - $19,625) due to Directors for Directors fees; $2,400 (December 31, 2011 - $4,800) due to director of a related company for geological consulting services;

All related party transactions are recorded at the value agreed upon by the Company and the related party. The amounts due from and due to related parties are non-interest bearing, non-secured and with no stated terms of repayment.

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, 2012.

Item 9. The Offer and Listing

A. Offer and Listing Details

The following sets forth the high and low prices expressed in Canadian Dollars on the TSX-V and U.S. Dollars on the OTCBB/NYSE-Mkt for the Company’s common shares for the past five years, for each quarter for the last two fiscal years, and for the last four months.

	TSX-V (Canadian Dollars)		OTCBB/NYSE-Mkt* (United States Dollars)	
Last Four Months	**High**	**Low**	**High**	**Low**
April 30, 2013	1.51	1.07	1.49	1.05
March 31, 2013	1.74	1.41	1.69	1.47
February 28, 2013	1.78	1.37	1.80	1.33
January 31, 2013	1.90	1.47	1.95	1.52
2012	**High**	**Low**	**High**	**Low**
Fourth Quarter ended December 31, 2012	1.89	1.37	1.90	1.42
Third Quarter ended September 30, 2012	1.80	1.12	1.74	1.07
Second Quarter ended June 30, 2012	2.10	1.08	2.10	1.08
First Quarter ended March 31, 2012	2.52	1.51	2.54	1.46
2011	**High**	**Low**	**High**	**Low**
Fourth Quarter ended December 31, 2011	2.14	1.42	2.16	1.39
Third Quarter ended September 30, 2011	2.90	1.66	2.94*	1.61*
Second Quarter ended June 30, 2011	3.42	2.04	3.56	2.02
First Quarter ended March 31, 2011	3.47	2.23	3.54	2.26
Last Five Fiscal Years	**High**	**Low**	**High**	**Low**
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
2008	1.78	0.18	1.79	0.20

*The Company listed on the NYSE-MKT on August 2, 2011 under the symbol “ASM”. Prior to listing its common shares on the NYSE Mkt, the Company’s common shares were quoted on the OTC Bulletin Board.

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 & Frankfurt Stock Exchange under the symbol "GV6" and listed on the NYSE-Mkt, under the symbol "ASM". In July, 2012, the Company's listing on the TSX Venture Exchange was re-classified to Tier 2 status.

On May 11, 2012, as a result of a review by the British Columbia Securities Commission ("BCSC"), we issued a news release to clarify and retract certain disclosures made pertaining to conceptual exploration targets and economic analyses of mineral resources at our Avino property in Durango, Mexico. As indicated in the news release, certain disclosure relating to our properties provided in news releases, on our website and in investor materials, did not comply with Canadian National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101"). On July 3, 2012, the BCSC issued a cease trading order until concerns raised by the BCSC regarding disclosure of the Avino property had been addressed. On July 25, 2012, the BCSC's cease trade order was revoked and the Company's common shares resumed trading on the TSX-V and NYSE-Mkt on July 30, 2012.

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.

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. Intermark Capital Corporation Consulting Agreement
2. Minerales de Avino SA de SV Agreement
3. Avaron Mining Corp. Option Agreement
4. $5 Million Master Credit Facility with Caterpillar Credito, S.A. de C.V.
5. Benz Capital Corp. Option Purchase and Assignment Agreement
6. Option and Joint Venture Agreement with Endeavour Silver Corp.

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 may not be deemed 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"). The Rights Plan is subject to, among other things, the acceptance of regulatory authorities, ratification by the shareholders of the Company. 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

Our company's 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 International Financial Reporting Standards. 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.

Our 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, 2012 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, 2012 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, 2012. 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, 2012: (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 the 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, this 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, 2012, December 31, 2011 and December 31, 2010 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 year ended December 31, 2012 were $115,000 (2011: $84,880; 2010: $89,000).

Audit-Related Fees

The audit-related fees billed by Manning Elliott LLP for the year ended December 31, 2012 were $4,500 (2011: $5,900; 2010: $Nil).

Tax Fees

The tax fees billed by Manning Elliott LLP for the year ended December 31, 2012 are estimated to be $2,600 (2011: $2,600; 2010: $3,200).

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 for the year ended December 31, 2012 are estimated to be $4,000 (2011 $4,000; 2010: $5,000).

The Audit Committee approved 100% of the fees paid to the principal accountant for audit-related, tax and other fees in the fiscal year 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

None.

Item 16F. Changes in Registrants Certifying Accountant

None.

Item 16G. Corporate Governance

The Company has adopted a Code of Ethical Conduct that applies to all directors, officers and employees. The Company has also established Audit Committee, Governance & Nominating Committee and Compensation Committee. Please refer to "Committee" under "Board Practice" in this Form 20F. The charters of these Committees are available at the Company's website at www.avino.com under Corporate Governance.

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. The operation of the our quarries is subject to regulation by the federal Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977. We do not own 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:

Item 18. Financial Statements

See Item 17.

Item 19. Exhibits

Exhibit Number	Name
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
4.1	Share Purchase Agreement dated March 22, 2004*
4.2	Intermark Capital Corporation Consulting Agreement dated Jan. 1, 2013
4.3	Minerales de Avino SA de SV Agreement dated Feb. 18, 2012
4.4	Stock Option Plan
4.5	$5 Million Master Credit Facility with Caterpillar Credito, S.A. de C.V. and Continuing Guarantee dated Dec. 17, 2012
4.6	Avaron Mining Corp. Option Agreement dated Jan 03, 2012
4.7	Benz Capital Corp. Option Purchase and Assignment Agreement dated Nov. 30, 2012
4.8	Endeavour Silver Corp. Option to Joint Venture Agreement dated Jul 30, 2012
8.1	List of Subsidiaries
11.1	Code of Ethics
11.2	Audit Committee Charter
11.3	Governance & Nominating Committee Charter
11.4	Compensation Committee Charter
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 Tetra Tech

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* Previously filed.

AVINO SILVER & GOLD MINES LTD.

Consolidated Financial Statements

For the years ended December 31, 2012, 2011 and 2010

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 judgment 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, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 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 30, 2013

"Malcolm Davidson"
Malcolm Davidson
Chief Financial Officer
April 30, 2013

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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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, 2012 and 2011, and the consolidated statements of operations, comprehensive loss, changes in equity and cash flows for the years ended December 31, 2012, 2011 and 2010, 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the 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, 2012 and 2011, and the results of its operations and its cash flows for the years ended December 31, 2012, 2011 and 2010 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 30, 2013

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

	Note	December 31, 2012	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents		$ 4,035,985	$ 5,282,464
Interest receivable		1,070	53,643
Sales taxes recoverable	**5**	196,178	228,820
Amounts receivable		254,695	876,946
Prepaid expenses and other assets		126,285	86,265
Inventory	**8**	2,225,840	-
		6,840,053	6,528,138
Exploration and Evaluation Assets	**6**	12,828,202	16,274,354
Plant, Equipment and Mining Properties	**10**	6,308,480	3,023,969
Investment in Related Companies	**11**	194,373	304,394
Investment in Other Companies	**12**	15,000	-
Reclamation Bonds		5,500	5,500
		$ 26,191,608	$ 26,136,355
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,145,747	$ 600,977
Amounts due to related parties	**17**	174,714	203,763
Current portion of finance lease obligations	**18**	156,220	-
		1,476,681	804,740
Finance Lease Obligations	**18**	78,732	-
Reclamation Provision	**13**	323,140	292,000
Deferred Tax Liability	**24**	2,365,677	2,105,356
Total liabilities		4,244,230	3,202,096
EQUITY			
Share Capital	**14**	42,088,103	41,720,083
Equity Reserves		9,749,674	9,898,186
Treasury Shares (14,180 Shares, at cost)		(101,869)	(101,869)
Accumulated Other Comprehensive Loss		(330,211)	(262,400)
Accumulated Deficit		(29,458,319)	(28,319,741)
Total Equity		21,947,378	22,934,259
		$ 26,191,608	$ 26,136,355

Subsequent Events – Note 25

Approved by the Board of Directors on April 30, 2013:

/s/ Gary Robertson
Director

/s/ David Wolfin
Director

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

AVINO SILVER & GOLD MINES LTD.
For the years ended December 31, 2012, 2011 and 2010
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	Note	2012	2011	2010
Revenue from Mining Operations	**16**	$ 2,255,376	$ -	$ -
Cost of Sales	**16**	1,434,569	-	-
Mine Operating Income		820,807	-	-
General and Administrative Expenses				
Depreciation		6,193	803	3,834
Investor relations		247,044	294,882	99,450
Management fees		150,000	296,260	96,000
Office and miscellaneous		531,043	199,721	162,945
Professional fees		205,578	189,459	127,711
Regulatory and compliance fees		75,738	121,591	26,028
Salaries and benefits		561,398	276,866	165,417
Sales tax write-down (provision recovery)		(47,409)	-	42,478
Share-based payments	**15**	18,408	2,529,620	341,748
Travel and promotion		181,753	133,445	45,032
		1,929,746	4,042,647	1,110,643
Loss before other items and income tax		(1,108,939)	(4,042,647)	(1,110,643)
Other Items				
Foreign exchange gain		116,562	68,404	19,951
Interest income		21,760	78,857	14,206
Other income		23,464	10,499	-
Mineral property option income	**7**	54,317	-	-
Unrealized gain (loss) on investments in related companies	**12**	(110,021)	(212,966)	313,323
Loss before income tax		(1,002,857)	(4,097,853)	(763,163)
Deferred income tax expense		(260,321)	(86,498)	(27,677)
Net Loss		(1,263,178)	(4,184,351)	(790,840)
Other Comprehensive Income (Loss)				
Foreign currency translation differences for foreign operations		(67,811)	82,689	(345,089)
Comprehensive Loss		$ (1,330,989)	$ (4,101,662)	$ (1,135,929)
Loss per Share - Basic and Diluted		$ (0.05)	$ (0.16)	$ (0.04)
Weighted Average Number of Shares Outstanding		27,072,053	26,795,632	20,059,008

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, 2012, 2011 and 2010
(Expressed in Canadian dollars)

	Note	Number of Common Shares	Share Capital Amount	Equity Reserves	Treasury Shares	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
Balance, January 1, 2010		20,584,727	$ 33,173,022	$ 7,349,978	$ (101,869)	$ -	$ (23,940,230)	$ 16,480,901
Common shares issued for cash:								
Private placement	**14**	5,100,000	5,107,614	3,202,468	-	-	-	8,310,082
Share issuance costs		-	(435,387)	-	-	-	-	(435,387)
Exercise of stock options	**14**	472,500	354,375	-	-	-	-	354,375
Share-based payments	**15**	-	-	341,748	-	-	-	341,748
Fair value of stock options exercised		-	993,675	(993,675)	-	-	-	-
Options and warrants cancelled or expired		-	-	(391,681)	-	-	391,681	-
Net loss for the year		-	-	-	-	-	(790,840)	(790,840)
Cumulative translation adjustments		-	-	-	-	(345,089)	-	(345,089)
Balance, December 31, 2010		**26,157,227**	**$39,193,299**	**$ 9,508,838**	**$ (101,869)**	**$ (345,089)**	**$(24,339,389)**	**$23,915,790**
Common shares issued for cash:								
Exercise of stock options	**14**	753,000	592,050	-	-	-	-	592,050
Share issuance costs		-	(1,539)	-	-	-	-	(1,539)
Fair value of stock options exercised		-	1,936,273	(1,936,273)	-	-	-	-
Share-based payments	**15**	-	-	2,529,620	-	-	-	2,529,620
Options and warrants cancelled or expired		-	-	(203,999)	-	-	203,999	-
Net loss for the year		-	-	-	-	-	(4,184,351)	(4,184,351)
Cumulative translation adjustments		-	-	-	-	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		82,000	75,600	-	-	-	-	75,600
Share issuance costs		-	-	-	-	-	-	-
Shares issued for leased claim payment	**6(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)
Cumulative translation adjustments		-	-	-	-	(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**

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

AVINO SILVER & GOLD MINES LTD.
For the years ended December 31, 2012, 2011 and 2010
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Cash Provided By (Used In):	Note	2012	2011	2010
Operating Activities				
Net loss		$ (1,263,178)	$ (4,184,351)	$ (790,840)
Adjustments for non-cash items:				
Depreciation, depletion, and accretion	**10**	194,453	803	3,834
Share-based payments	**15**	18,408	2,529,620	341,748
Unrealized loss (gain) on investments	**12**	110,021	212,966	(313,323)
Sales tax write-down (provision recovery)		(46,640)	-	42,478
Mineral property option income		(15,000)	-	-
Deferred income tax expense	**24**	260,321	86,499	27,677
		(741,615)	(1,354,463)	(688,426)
Net change in non-cash working capital	**19**	(718,112)	60,462	(76,289)
		(1,459,727)	(1,294,001)	(764,715)
Financing Activities				
Shares issued for cash, net of issuance costs	**14**	75,600	590,511	8,229,069
Finance lease payments		(42,969)	-	-
		32,631	590,511	8,229,069
Investing Activities				
Recovery of exploration costs from concentrate proceeds		3,490,581	3,114,552	1,014,270
Exploration and evaluation expenditures		(2,387,771)	(4,590,331)	(1,839,096)
Additions to plant, equipment and mining properties		(946,286)	(1,483,453)	(324,360)
		156,524	(2,959,232)	(1,149,186)
Change in cash and cash equivalents		(1,270,572)	(3,662,722)	6,315,168
Effect of exchange rate changes on cash and cash equivalents		24,093	(106,662)	(93,413)
Cash and Cash Equivalents, Beginning		5,282,464	9,051,848	2,830,093
Cash and Cash Equivalents, Ending		$ 4,035,985	$ 5,282,464	$ 9,051,848

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 exploration, development, and acquisition 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 Stock Exchange.

The Company owns interests in mineral properties located in Durango, Mexico, British Columbia and the Yukon, Canada. The Company is in the business of producing silver, gold and copper, and the exploration of mineral properties. On October 1, 2012 the Company commenced production of silver and gold 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 position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

c) Foreign operations

Subsidiaries that have functional currencies other than Canadian dollars 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 closing rate of the net investment in such subsidiaries, together with differences between their statement of operations items translated at actual and average rates, are recognized in the 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 expenses during the reporting period. Actual outcomes could differ from these estimates under different assumptions and conditions.

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:

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

Management has determined that exploratory drilling, evaluation, development 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 benefit including geologic and metallurgic information, scoping studies, accessible facilities, existing permits and life of mine plans.

b) Stockpile and concentrate inventory valuations

Concentrate and stockpile ore are valued at the lower of the average costs or net realizable value.The assumptions used in the valuation of ore stockpile and concentrate include estimates of silver and gold contained in the ore stockpile and finished goods assumptions of the amount of silver and gold that is expected to be recovered from them. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its ore stockpile and finished would increase the Company's expenses and reduce working capital.

c) *Estimated reclamation provisions*

The Company's provision for decommissioning liabilities 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 mine's life. 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 can result in a change to the provision recognized by the Company.

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

d) 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 the fair value estimate and the Company's earnings and equity reserves.

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgements and Estimates (continued)

e) Commencement of commercial production and production levels intended by management

Prior to reaching commercial 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, including production capacity, recoveries and number of uninterrupted production days, in determining when a mining property has reached the commercial production levels intended by management. 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 commenced production on October 1, 2012.

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 areany 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 environment in which the Company operates that are not within its control and affect the recoverable amount of its plant, equipment and mining interests. Internal sources of information management consider 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 discounted 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/or adverse current economics can result in a write down of the carrying amounts of the Company's plant, equipment and mining properties.

g) Depreciation rate for plant and equipment and depletion rate for mining properties

Depreciation and depletion expenses are allocated based on assumed asset lives. Should the asset life, depletion rates or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of 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 theapplication of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based onlife 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 materially affect the amounts of income tax assets/liabilities.

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its Mexican subsidiaries.

	Ownership Interest	Jurisdiction	Nature of Operations
Oniva Silver and Gold Mines S.A., ("Oniva Silver")	100%	Mexico	Mexican operations 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")	96.60% direct 2.68% indirect (Promotora) 99.28% effective	Mexico	Mining and Exploration

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

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 receivable 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. Financial instruments comprise cash and cash equivalents, marketable securities and accounts payable. 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. Amounts receivable are classified as loans and receivables. Accounts payable and amounts due to related parties are classified as other 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 intangibles assets. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. When commercial production commences, these costs will be subject to depletion. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral claim is subsequently reversed when 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.

Incidental revenues and operating costs are included in exploration and evaluation costs prior to commercial production.

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, it is written down and charged to operations.

Plant, equipment and mining properties

Once the work completed supports a commercial production decision by management 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 commercial production, 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 start of commercial production 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.

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 and constructions	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 the 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, but so that 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 charged as a finance expense to profit and loss, unless they are attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time patter in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Material extracted from the Company's mine is classified as either ore or waste. Ore represents material that, at the time of extraction, the Company expects to process into a saleable form and sell at a profit. Raw materials are comprised of ore stockpiles. Ore is accumulated in stockpiles that are subsequently processed into bulk silver/gold concentrate in a saleable form. The Company has bulk silver/gold concentrate inventory which is in saleable form which 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 a 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 ore is removed for processing, costs are removed based on the average cost per tonne in the stockpile. Stockpile ore tonnages are verified by periodic surveys.

The Company records provisions to reduce inventory to net realizable value to reflect changes in economic factors that impact inventory value and to reflect present intentions for the use of slow moving and obsolete supplies inventory. Net realizable value is determined with reference to relevant market prices less applicable variable selling expenses. Provisions recorded also reflect an estimate of the remaining costs of completion to bring the inventory into its saleable form. Provisions are also recorded if necessary to reduce mine operating supplies to net realizable value, which is generally calculated by reference to its salvage or scrap value, when it is determined that the supplies are obsolete. Provisions are reversed to reflect subsequent recoveries in net realizable value 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 price is readily determinable. Revenue is based on quoted market prices during the quotation period published in the metal bulletin 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. 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 date of the final settlement.

Prior to commercial production concentrate sales incidental to the exploration of mineral properties were recorded net of production costs as a reduction of capitalized exploration and evaluation costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

a) Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

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/from retained deficit.

Share-based payment transactions

The Company's share option plan allows 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 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 goods or 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 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 or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per Share

The Company presents basic and diluted 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 loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Income taxes

Income tax on the profit or loss for the years presented comprises 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 provided using the statement of financial position asset and liability method, providing 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 provided 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. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on January 1, 2013, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 10 – Consolidated Financial Statements
IFRS 10 establishes the principles for the presentation and preparation of financial statements when an entity controls one or more other entities. IFRS 10 changed the definition of control such that the same criteria are applied to all entities to determine control. IFRS 10 supersedes all of the guidance in IAS 27 Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities.

New accounting standards effective January 1, 2013

IFRS 11 – Joint Arrangements
IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or 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 existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-monetary Contributions.

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.

4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

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. Under existing IFRS, guidance on measuring and disclosing fair value that is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IAS 27 – Separate Financial Statements
As a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now 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 issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provided the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be 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 recycled to profit or loss in future periods.

IFRIC 20 – Production Stripping Costs
In October 2011, the IASB issued IFRIC 20 Stripping Costs, which requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved.

IAS 32 – Financial Instruments: Presentation
In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

The following standard will be effective for annual periods beginning on or after January 1, 2015:

IFRS 9 – Financial Instruments
In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

Management does not expect that the adoption of these standards and interpretations will have a significant effect on the consolidated financial statements of the Company other than additional disclosures.

(Expressed in Canadian dollars)

5. SALES TAXES RECOVERABLE

The Company's sales tax recoverable consists of the Mexican I.V.A. a Value-Added Tax ("VAT") and the Canadian Harmonized Sales Tax ("HST") recoverable.

	2012	2011
VAT recoverable	$ 167,340	$ 252,621
Write-down provision	-	(46,640)
VAT net carrying amount	167,340	205,981
HST recoverable	28,838	22,839
Sales tax recoverable	$ 196,178	$ 228,820

The Company records the VAT net of a write-down provision, reflecting an estimate of the amount of VAT recoverable based on past collection history and the length of time amounts are outstanding.

6. EXPLORATION AND EVALUATION ASSETS

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

	Durango Mexico	British Columbia Canada	Yukon Canada	Total
Balance, January 1, 2011	$ 14,892,336	$ 3	$ 2,504	$ 14,894,843
Costs incurred during 2011:				
Assays	89,147	-	-	89,147
Assessment and taxes	30,759	-	-	30,759
Drilling and exploration	3,248,382	-	-	3,248,382
Geological	460,565	-	2,640	463,205
Sale of concentrate	(3,114,552)	-	-	(3,114,552)
Depreciation of plant and equipment	232,821	-	-	232,821
Reclamation provision	292,000	-	-	292,000
Effect of movement in exchange rates	137,749	-	-	137,749
Balance, December 31, 2011	$ 16,269,207	$ 3	$ 5,144	$ 16,274,354
Costs incurred during 2012:				
Assays	49,685	-	-	49,685
Rights extension (Note 6(a)(iv))	250,100	-	-	250,100
Assessment and taxes	86,870	-	-	86,870
Drilling and exploration	2,124,503	-	-	2,124,503
Geological	131,856	-	-	131,856
Sale of concentrate	(3,490,581)	-	-	(3,490,581)
Depreciation of plant and equipment	204,334	-	-	204,334
Effect of movement in exchange rates	(136,511)	-	-	(136,511)
Transfer to mining properties	(2,661,265)	-	-	(2,661,265)
Property option revenue (Note 7(b))	-	-	(5,143)	(5,143)
Balance, December 31, 2012	$ 12,828,198	$ 3	$ 1	$ 12,828,202

6. EXPLORATION AND EVALUATION ASSETS (continued)

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

(a) Durango, Mexico

The Company's subsidiary Avino Mexico owns 42 mineral claims and leases 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 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 commenced commercial production on October 1, 2102 and on that date accumulated exploration and evaluation costs for the San Gonzalo mine were transferred to mining properties (see Note 10).

(ii) Gomez Palacio property

The Gomez Palacio property is located near the town of Gomez Palacio, Durango, Mexico. There are nine exploration concessions covering 2,549 hectares.

(iii) Santiago Papas Quiero property

The Santiago Papas Quiero property is located near the village of Papas Quiero, Durango, Mexico. There are 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 with the Avino property around the towns of Panuco de Coronado and San Jose de Avino and surrounding the formerly producing Avino mine.

In February 2012, the Company's wholly-owned Mexican subsidiary entered into a new agreement with Minerales de Avino, S.A. de C.V. ("Minerales") whereby Minerales has indirectly granted to the Company the exclusive right to explore and mine the La Platosa property known as the "ET zone".

Under the agreement, the Company has obtained the exclusive right to explore and mine the property for an initial period of 15 years, with the option to extend the agreement for another 5 years. In consideration of the grant of these rights, the Company has paid to Minerales $250,100, by the issuance of 135,189 common shares of the Company. The Company will have until February 2014 to develop the mining facilities.

The Company has agreed to pay to Minerales a royalty equal to 3.5% of net smelter returns at the commencement of commercial production from the property. In addition, after the development period, if the minimum monthly processing rate of the mine facilities is less than 15,000 tonnes, then the Company must pay to Minerales in any event a minimum royalty equal to the applicable NSR Royalty based on processing at a minimum monthly rate of 15,000 tonnes.

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

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

(b) British Columbia, Canada

The Company's mineral claims in British Columbia encompass the following three properties:

(i) Aumax property

The Company owns a 100% interest in a Crown granted mineral claim, located in the Lillooet Mining Division of British Columbia, Canada.

(ii) Minto property

The Company has a 100% interest in a Crown granted mineral claim situated in the Lillooet Mining Division of British Columbia.

(iii) Olympic-Kelvin property

The Company has a 100% interest in six Crown granted mineral claims located in the Lillooet Mining Division of British Columbia.

(c) Yukon, Canada

The Company owns 100% interest in 14 quartz leases located in the Mayo Mining Division of the Yukon, Canada which are collectively comprise the Eagle property. During January, 2012, the Company entered into an option agreement on the Eagle property, refer to Note 7(b).

7. MINERAL PROPERTY OPTION AGREEMENTS

The Company has two option agreements on its mineral properties which are included in exploration and evaluation assets. During fiscal 2012 a total of $54,317 was recognized as mineral property option income for these two option agreements**.**

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

	Cash	Exploration Expenditures
Upon signing July 30, 2012 (received)	US$ 20,000	US$ –
On or before July 30, 2013	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
	US$ 200,000	US$ 3,000,000

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

(Expressed in Canadian dollars)

7. MINERAL PROPERTY OPTION AGREEMENTS (continued)

(b) During 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 and interest in the Company's Eagle Property located in the Yukon Territory.

Avaron can earn a 75% interest by paying a total cash payment of $375,000, issue 800,000 common shares, incurring exploration costs of $100,000 and also drilling 35,000 meters (or incur exploration costs of up to $7,000,000) as follows:

	Cash	Exploration Expenditures	Shares
On or before January 31, 2012 (received)	$ 25,000	$ –	150,000
On or before January 31, 2013	–	100,000	150,000
On or before January 31, 2014	100,000	625,000	–
On or before January 31, 2015	100,000	1,000,000	–
On or before January 31, 2016	50,000	2,000,000	250,000
On or before January 31, 2017	100,000	3,375,000	250,000
	$ 375,000	$ 7,100,000	800,000

After the initial 75% interest is earned Avaron may either elect to form a Joint Venture with the Company, or has the ability 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 agreement, the Company received a $25,000 cash payment. $5,143 of the payment was recorded as a reduction to the carrying value of the Eagle Property resulting in a $1 carrying value of the Eagle Property in exploration and evaluation assets. The remaining cash proceeds of $19,857 were recorded as option revenue along with the $15,000 fair value of the 150,000 common shares of Avaron that were received.

Subsequent to the 2012 year end Avaron's option was assigned to another corporation, refer to Note 25(e).

8. INVENTORY

	2012	2011
Concentrate inventory	$ 631,859	$ -
Ore stock piles	1,384,973	-
Materials and supplies	209,008	-
	$ 2,225,840	$ -

The amount of inventory recognized as an expense for the year ended December 31, 2012 includes production costs and amortization and depletion directly attributable to the inventory production process.

9. NON-CONTROLLING INTEREST

For the years ended December 31, 2012, 2011 and 2010 the Company has an effective 99.28% interest in its subsidiary Avino Mexico and the remaining 0.72% portion represents a non-controlling interest. To date the losses attributable to the non-controlling interest are insignificant and accordingly have not been recognized in the consolidated financial statements.

(Expressed in Canadian dollars)

10. PLANT, EQUIPMENT AND MINING PROPERTIES

	Mining Properties	Office equipment, furniture and fixtures	Computer equipment	Mine machinery and transportation equipment	Mill machinery and processing equipment	Buildings and construction	TOTAL
	$	$	$	$	$	$	$
COST							
Balance at January 1, 2011	-	6,249	26,707	201,180	1,182,177	322,907	1,739,220
Additions	-	7,855	5,174	970,763	499,661	-	1,483,453
Effect of movement in exchange rates	-	76	578	21,274	30,176	5,862	57,966
Balance at December 31, 2011	-	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 movement in exchange rates	19,055	82	643	12,426	14,704	2,343	49,253
Balance at December 31, 2012	2,680,320	21,387	90,678	1,753,306	2,095,473	331,112	6,972,276
ACCUMULATED DEPLETION AND DEPRECIATION							
Balance at January 1, 2011	-	4,600	7,574	4,508	-	-	16,682
Additions	-	1,305	6,594	139,558	71,745	16,364	235,566
Effect of movement in exchange rates	-	7	256	2,582	1,285	292	4,422
Balance at December 31, 2011	-	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 movement in exchange rates	670	12	167	2,716	820	261	4,646
Balance at December 31, 2012	94,188	8,073	23,633	384,513	116,379	37,010	663,796
NET BOOK VALUE							
At December 31, 2012	**2,586,132**	**13,314**	**67,045**	**1,368,793**	**1,979,094**	**294,102**	**6,308,480**
At December 31, 2011	-	8,268	18,035	1,046,569	1,638,984	312,113	3,023,969

(Expressed in Canadian dollars)

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. Depletion began being recorded from October 1, 2012 when the Company commenced commercial production at the San Gonzalo mine.

11. INVESTMENTS IN RELATED COMPANIES

Investments in related companies comprise the following:

	Cost	Accumulated Unrealized Gains (Losses)	Fair Value December 31, 2012	Fair Value December 31, 2011
(a) Bralorne Gold Mines Ltd.	$ 205,848	(71,486)	$ 134,362	$ 150,485
(b) Levon Resources Ltd.	4,236	55,774	60,010	153,908
(c) Oniva International Services Corp.	1	-	1	1
	$ 210,085	(15,712)	$ 194,373	$ 304,394

During the year, the Company recorded a $110,021 unrealized loss (2011 - $212,966 loss, 2010 - $313,323 gain) 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 $134,362 as at December 31, 2012 (2011 - $150,485). 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 $60,010 as at December 31, 2012 (2011 - $153,908). 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 on the Company's commitment to Oniva.

12. INVESTMENT IN OTHER COMPANIES

In January 2012, the Company acquired 150,000 common shares of Avaron Mining Corp. with an adjusted cost base of $15,000 as part of the option agreement with Avaron described in Note 7 (b). The Company has designated the investment in Avaron as fair value through profit and loss and classifies the common shares of Avaron as a long-term investment.

13. RECLAMATION PROVISION

Management has estimated that the present value of its reclamation provision at December 31, 2012 is $323,140 (December 31, 2011 - $292,000). The present value of the obligation was calculated using a risk-free interest rate of 7% and an inflation rate of 4%. Reclamation activities are estimated to occur over a one-year period beginning in 2018. The undiscounted value of the obligation is $368,709 (2011 - $355,200).

14. SHARE CAPITAL

(a) Authorized: Unlimited common shares without par value

(b) Issued:

(i) On February 22, 2012, the Company issued 135,189 common shares under a new 20 year royalty agreement with Minerales de Avino S.A. de C.V. The fair market value of the common shares on February 22, 2012 was $1.85 per share.

(ii) On December 20, 2010, the Company closed a non-brokered private placement issuing 2,700,000 units at a price of $1.90 per unit for gross proceeds of $5,130,000. Each unit is comprised of one common share and one non-transferrable share purchase warrant. Each share purchase warrant is exercisable for a term for a term of three years into one common share at a price of $2.50 per share until December 22, 2013.

The Company paid a cash commission equal to 5% of the applicable gross proceeds from units sold to such investors ($210,900) and compensation warrants to purchase common shares of the Company equal to 5% of the units sold under the offering (111,000 units).

The fair value of the warrants and compensation warrants have been estimated using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 1.90%, dividend yield of nil, volatility of 84.87%, and an expected life of three years. Of the $5,130,000 total aggregate proceeds raised $3,252,285 was attributed to common shares and the residual amount of $1,877,715 was attributed to the common share purchase warrants, which has been recorded in equity reserve. The fair value of the compensation warrants was valued at $180,082.

(iii) On November 10, 2010, the Company closed a non-brokered private placement issuing 2,400,000 units at a price of $1.25 per unit for gross proceeds of $3,000,000. Each unit is comprised of one common share and one non-transferrable share purchase warrant. Each share purchase warrant is exercisable for a term for a term of three years into one common share at a price of $1.52 per share until November 10, 2013.

The fair value of the warrants has been estimated using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 1.94%, dividend yield of nil, volatility of 83.86%, and an expected life of three years. Of the $3,000,000 total aggregate proceeds raised $1,855,329 was attributed to common shares and the residual amount of $1,144,671 was attributed to common share purchase warrants, which has been recorded in contributed surplus.

(Expressed in Canadian dollars)

14. SHARE CAPITAL (continued)

(c) Warrants:

During 2012 and 2011 there were no warrants issued or exercised. Details of share purchase warrants outstanding are:

	Underlying Shares	Weighted Average Exercise Price
Balance, December 31, 2010	5,211,000	$ 2.05
Balance, December 31, 2011	5,211,000	$ 2.05
Balance, December 31, 2012	5,211,000	$ 2.05

Details of share purchase warrants outstanding as of December 31, 2012 and December 31, 2011 are:

Expiry Date	Exercise Price per Share	Warrants Outstanding and Exercisable 2012	2011
November 10, 2013	$ 1.52	2,400,000	2,400,000
December 22, 2013	$ 2.50	2,811,000	2,811,000
		5,211,000	5,211,000

(d) Stock options:

The Company has a stock option plan under which it may grant stock options 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 regular employees and persons providing investor-relation or consulting services up to a limit of 5% and 2% respectively of 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-relation 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.

	Underlying Shares	Weighted Average Exercise Price
Stock options outstanding and exercisable, December 31, 2010	1,605,000	$ 0.97
Granted	1,840,000	$ 2.16
Expired or cancelled	(70,000)	$ 3.53
Exercised	(753,000)	$ 0.79
Stock options outstanding and exercisable, December 31, 2011	2,622,000	$ 1.80
Granted	30,000	$ 2.00
Expired or cancelled	(90,000)	$ 2.17
Exercised	(82,000)	$ 0.92
Stock options outstanding and exercisable, December 31, 2012	2,480,000	$ 1.81

As at December 31, 2012, the weighted average remaining contractual life of stock options outstanding is 2.78 years.

(Expressed in Canadian dollars)

14. SHARE CAPITAL (continued)

(d) Stock options:

Details of stock options outstanding are:

Expiry Date	Exercise Price	Stock Options Outstanding 2012	2011	2010
April 26, 2011	$ 3.99	-	-	60,000
April 26, 2011	$ 0.75	-	-	600,000
January 16, 2013	$ 2.00	30,000	-	-
February 27, 2013	$ 1.65	10,000	10,000	10,000
February 27, 2013	$ 0.75	295,000	295,000	340,000
December 9, 2013	$ 2.00	20,000	20,000	20,000
September 22, 2014	$ 0.75	25,000	60,000	75,000
January 14, 2015	$ 0.81	60,000	60,000	75,000
September 10, 2015	$ 1.05	290,000	337,000	425,000
January 18, 2016	$ 2.30	960,000	1,010,000	-
September 30, 2016	$ 2.00	790,000	830,000	-
		2,480,000	2,622,000	1,605,000

15. SHARE-BASED PAYMENTS

During the year ended December 31, 2012, the Company granted stock options to consultants of the Company 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. The options vest on dates ranging from the grant date to January 15, 2013. The options are exercisable on or before January 16, 2013.

During the year ended December 31, 2011, the Company granted stock options to various directors, officers, employees, consultants, and investor relations of the Company 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. The options vest on dates ranging from the grant date to September 30, 2012. The options are exercisable on or before September 30, 2016.

During 2010 the Company granted stock options to various directors, officers, employees, consultants, and investor relations of the Company to purchase up to a total of 520,000 common shares at a weighted average exercise price of $1.05 per share pursuant to the Company's stock option plan. The options vest on dates ranging from the grant date to September 30, 2011. The options are exercisable on or before September 10, 2015.

The Company recorded total amount of share-based payment expense in the amount of $18,408 (2011 - $2,529,620, 2010 - $341,748).

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 officers, directors, consultants, and employees was calculated using the Black-Scholes model with following weighted average assumptions and resulting grant date fair value:

(Expressed in Canadian dollars)

15. SHARE-BASED PAYMENTS (continued)

	2012	2011	2010
Weighted average assumptions:			
Risk-free interest rate	1.06%	2.05%	2.08%
Expected dividend yield	0	0	0
Expected option life (years)	0.42	4.99	4.83
Expected stock price volatility	50.89%	76.17%	74.95%
Weighted average fair value at grant date	$ 0.13	$ 1.38	$ 0.67

16. REVENUE AND COST OF SALES

Revenue and the related cost of sales reflect the sale of silver and gold concentrate produced at the San Gonzalo mine from the commencement of commercial production on October 1, 2012 to December 31, 2012.

Cost of sales consists of changes in inventories, direct mining costs which include 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.

	2012	2011	2010
Direct mining cost	$ 1,246,309	-	-
Depreciation, depletion, and accretion	188,260	-	-
	$ 1,434,569	-	-

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, 2012, 2011 and 2010 and are as follows:

	2012	2011	2010
Salaries and benefits	$ 243,011	$ 362,173	$ 149,542
Share-based payments	-	2,009,400	186,200
	$ 243,011	$ 2,371,573	$ 335,742

(b) 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, 2012 and 2011 the following amounts are due to related parties:

	December 31, 2012	December 31, 2011
Directors	$ 24,469	$ 19,625
Oniva International Services Corp.	147,845	179,338
Sampson Engineering Inc.	2,400	4,800
	$ 174,714	$ 203,763

(Expressed in Canadian dollars)

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Other related party transactions

The Company has a cost sharing agreement to reimburse Oniva International Services Corp. ("Oniva") as described in Note 20. The transactions with Oniva during the year are summarized below:

	2012	2011	2010
Salaries and benefits	$ 179,555	$ 151,941	$ 108,086
Office and miscellaneous	276,201	240,810	60,441
	$ 455,756	$ 392,751	$ 168,527

18. FINANCE LEASE OBLIGATIONS

The Company has entered into mining equipment leases expiring between 2013 and 2014 with interest rates ranging from 1.75% to 2.5% 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 obligation under finance leases are secured by the lessor's title to the leased assets. The fair value of the finance lease liabilities approximates their carrying amount. Plant and equipment includes a $338,825 net carrying amount for this leased mining equipment.

	2012
Not later than one year	$ 156,478
Later than one year and not later than five years	78,863
Less: Future finance charges	(389)
Present value of minimum lease payments	234,952
Less: Current portion	(156,220)
Non-current portion	$ 78,732

19. SUPPLEMENTARY CASH FLOW INFORMATION

	2012	2011	2010
Net change in non-cash working capital items:			
Interest receivable	$ 52,573	$ (49,501)	$ (3,996)
Amounts receivable	622,251	-	-
Sales taxes recoverable	79,282	4,868	(187,089)
Prepaid expenses	(40,020)	(55,775)	19,310
Inventories	(2,225,840)	-	-
Accounts payable and accrued liabilities	822,691	126,372	90,912
Due to related parties	(29,049)	34,498	4,574
	$ (718,112)	$ 60,462	$ (76,289)

	2012	2011	2010
Interest paid	$ 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 the total overhead and corporate expenses.

(Expressed in Canadian dollars)

20. COMMITMENTS (continued)

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 subsidiary have various lease agreements for their office premises, use of land, drilling and equipment.

The Company has commitments in respect of these lease agreements as follows:

	December 31, 2012	December 31, 2011
Not later than one year	$ 248,512	$ 243,301
Later than one year and no later than five years	597,188	824,910
Later than 5 years	76,506	84,046
	$ 922,206	$ 1,152,257

21. FINANCIAL INSTRUMENTS

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

The Company's financial instruments are exposed to certain financial risks, 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's cash is exposed to credit risk. The Company is not exposed to significant credit risk on amounts receivable.

The Company manages credit risk, in respect of cash, by maintaining the majority of cash at high credit rated Canadian financial institutions. However, as at December 31, 2012 cash and cash equivalents substantially exceed the amounts covered under federal deposit insurance

Concentration of credit risk exists with respect to the Company's cash as the majority of the amounts are held with a single Canadian financial institution.

(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 operations and anticipated investing and financing activities. The Company has cash at December 31, 2012 in the amount of $4,035,985 (2011 - $5,282,464) in order to meet short-term business requirements. At December 31, 2012, the Company had current liabilities of $1,476,681 (2011 - $804,740). 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.

21. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk

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

Interest Rate Risk

Interest rate risk consists of two components:

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

(ii) To the extent that changes in prevailing market rates differ from the interest rate in 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 has no significant interest-bearing debt as of December 31, 2012 and 2011.

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 monetary assets and liabilities are denominated in foreign currency with respect to the following assets and liabilities, as a portion of these amounts are denominated in Mexican Pesos and US dollars as follows:

	December 31, 2012		December 31, 2011	
	MXN	USD	MXN	USD
Cash and cash equivalents	$ 3,586,471	$ 1,312,607	$ 935,096	$ 496,186
Sales taxes recoverable	2,180,706	-	2,789,015	-
Amounts receivable	3,096,083	210,076	-	862,287
Accounts payable and accrued liabilities	(2,775,290)	(408,437)	(6,214,511)	-
Amounts due to related parties	-	-	-	-
Finance lease obligations	-	(236,157)		
Net exposure	6,087,970	878,089	(2,490,400)	1,358,473
Canadian dollar equivalent	$ 467,178	$ 873,611	$ (183,877)	$ 1,381,567

(Expressed in Canadian dollars)

21. FINANCIAL INSTRUMENTS (continued)

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

Foreign Currency Risk (continued)

Based on the net Canadian dollar denominated asset and liability exposures as at December 31, 2012, a 10% fluctuation in the Canadian/Mexican and Canadian/US exchange rates will impact the Company's earnings by approximately $134,078 (2011 - $119,769).

The Company has not entered into any foreign currency contracts to mitigate this risk

Other Price Risk

Other 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 other price risk with respect to its investment in related parties as they are carried at fair value based on quoted market prices.

The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource 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 input 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, 2012:

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 4,035,985	-	-
Investments in related parties	194,373	-	-
Other investments	15,000		
	$ 4,245,358	-	-

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 flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents.

The Company manages the 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 the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents. Management reviews the 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 externally imposed capital requirements.

(Expressed in Canadian dollars)

23. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration and development of mineral properties.

The Company has non-current assets in the following geographic locations:

	2012	2011
Canada	$ 214,873	$ 319,334
Mexico	19,136,682	19,288,883
	$ 19,351,555	$ 19,608,217

24. INCOME TAXES

The components of the income tax provision including, the statutory tax rate, effective tax rate and the effect of the unrecognized deferred tax assets are as follows:

	2012	2011
Statutory rate	25%	26.5%
Income taxes recovered at the Canadian statutory rate	$ 315,794	$ 1,116,093
Less permanent differences:		
Share-based payments	(4,602)	(670,349)
Effect of difference in Mexican tax rates	(12,523)	9,933
Other non-tax deductible expenses	(94,214)	(1,902)
Effect of difference between functional and tax reporting currency	155,354	(328,855)
Change in enacted rates	(68,807)	(21,016)
Change in unrecognized benefit of tax losses	(282,604)	(273,033)
Benefit (liability) of tax attributes recognized and other items	(268,719)	82,631
Income tax expense recognized in the year	$ (260,321)	$ (86,498)

(Expressed in Canadian dollars)

24. INCOME TAXES (continued)

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

	2012	2011
Expected tax recovery rate	25%	25%
Non-capital tax losses carried forward	$ 1,855,370	$ 1,558,068
Capital losses carried forward	184,026	184,026
Canadian exploration expenses, Canadian development expenses and foreign exploration, and development expenses in excess of book value of Canadian mineral properties	467,953	485,737
Share issuance costs	25,531	38,296
Tax basis of investments in related companies in excess of book value	30,964	15,337
Undeducted capital cost allowance in excess of book value of Canadian equipment	52,602	52,378
Deferred income tax assets	2,616,446	2,333,842
Unrecognized deferred tax assets	(2,616,446)	(2,333,842)
Net tax assets	$ –	$ –

The potential benefit of Canadian net operating tax loss carry-forwards and other Canadian deferred income tax assets has not been recognized in the financial statements 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 approximate tax effects of each type of temporary difference that gives rise to deferred income tax liabilities are as follows:

	2012	2011
Mexican statutory rate	29%	28%
Book value of mineral properties in excess of tax bases	$ 4,240,462	$ 3,818,183
Book value of plant and equipment in excess of tax bases	394,475	408,219
Less: Mexican tax losses carried forward	(2,269,260)	(2,121,046)
Deferred income tax liability	$ 2,365,677	$ 2,105,356

24. INCOME TAXES (continued)

The Company has capital losses of $1,472,210 carried forward and $7,421,481 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 $7,825,035 (denominated in MXN$101,939,408) 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:

Year of Expiry	Canada	Mexico
2014	$ 568,450	$ –
2018	–	3,205,719
2019	–	1,096,028
2020	–	1,054,855
2021	–	854,217
2025	799,044	1,614,216
2026	646,331	–
2027	643,498	–
2028	774,118	–
2029	727,183	–
2030	804,957	–
2031	1,268,691	–
2032	1,189,209	–
	$ 7,421,481	$ 7,825,035

25. SUBSEQUENT EVENTS

Events occurring after December 31, 2012:

(a) 306,518 options were exercised for gross proceeds of $63,750.

(b) 75,000 options expired unexercised.

(c) 250,000 options were granted to directors, officers, and employees with a weighted average price of $1.60 and expire in 5 years from the grant date.

(d) The Company entered into a credit facility with Caterpillar Finance permitting the purchase up to US $5,000,000 of mining and related equipment. 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. The Company has acquired three pieces of mining equipment under the credit facility totaling US$1,457,458. This equipment is use for current mining operations.

(e) On April 10, 2013 the TSX-V approved to the terms of an option purchase and assignment agreement permitting Benz Capital Corp. to acquire all of Avaron's interest in an option agreement between Avaron (see Note 7(b)) and Avino pursuant to which Avaron has the option to acquire from Avino up to an undivided 100% interest in the Eagle Property.

As consideration for the option assignment, Benz has issued 50,000 Common Shares and Avaron has issued 250,000 common shares to Avino as required under the terms of the Option Agreement.

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: May 14, 2013

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

Exhibit Number	Name
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
4.1	Share Purchase Agreement dated March 22, 2004*
4.2	Intermark Capital Corporation Consulting Agreement dated Jan. 1, 2013
4.3	Minerales de Avino SA de SV Agreement dated Feb. 18, 2012
4.4	Stock Option Plan
4.5	$5 Million Master Credit Facility with Caterpillar Credito, S.A. de C.V. and Continuing Guarantee dated Dec. 17, 2012
4.6	Avaron Mining Corp. Option Agreement dated Jan 03, 2012
4.7	Benz Capital Corp. Option Purchase and Assignment Agreement dated Nov. 30, 2012
4.8	Endeavour Silver Corp. Option to Joint Venture Agreement dated Jul 30, 2012
8.1	List of Subsidiaries
11.1	Code of Ethics
11.2	Audit Committee Charter
11.3	Governance & Nominating Committee Charter
11.4	Compensation Committee Charter
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 Tetra Tech

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* Previously filed.

SHAREHOLDER RIGHTS PLAN AGREEMENT

BETWEEN

AVINO SILVER & GOLD MINES LTD.
(the "Company")

AND

COMPUTERSHARE INVESTOR SERVICES INC.
(the "Rights Agent")

DATED FOR REFERENCE AND EFFECTIVE APRIL 22, 2013

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SHAREHOLDER RIGHTS PLAN AGREEMENT

THIS SHAREHOLDER RIGHTS PLAN AGREEMENT dated for reference and effective the 22nd day of April, 2013

BETWEEN:

AVINO SILVER & GOLD MINES LTD., a company incorporated under the laws of British Columbia, and having an office at Suite 900, 570 Granville Street, Vancouver, B.C., V6C 3P1

(the "Company")

OF THE FIRST PART

AND:

COMPUTERSHARE INVESTOR SERVICES INC., a company under the laws of British Columbia and having an office at 3rd Floor, 510 Burrard Street, Vancouver, B.C., V6C 3B9

(the "Rights Agent")

OF THE SECOND PART

W H E R E A S:

A. The Board of Directors of the Company has determined that it is in the best interests of the company to adopt a shareholder rights plan to ensure, to the extent possible, that all shareholders of the Company are treated fairly in connection with any take-over bid for the Company.

B. In order to implement the adoption of a shareholder rights plan as established by this Agreement the Board of Directors of the Company has:

1. authorized the issuance, effective at 12:01 a.m. (Vancouver time) on the Effective Date, of one Right in respect of each Common Share outstanding as of 12:01 a.m. (Vancouver time) on the Effective Date (the "Record Time"); and

2. authorized the issue of one Right in respect of each Common Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time;

C. Each Right entitles the holder thereof, after the Separation Time, to purchase securities of the Company pursuant to the terms and subject to the conditions set forth in this Agreement.

D. The Company wishes to appoint the Rights Agent to act on behalf of the Company and the holders of rights, and the Rights Agent is willing to so act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates, the exercise of Rights and other matter referred to in this Agreement.

E. The Board of Directors of the Company proposes that this Agreement be in place for a period of eight years from the Effective Date.

NOW THEREFORE, in consideration of the premises and respective agreements set forth herein, the parties hereto agree as follows:

ARTICLE 1. - INTERPRETATION

1.1 Definitions: In this Agreement, the following words and terms will, unless the context otherwise requires, have the following meanings:

a. "Acquiring Person" means any Person who is or becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares, provided that the term "Acquiring Person" will not include:

i. the Company or any Subsidiary of the Company;

ii. any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of one or any combination of:

A. a Voting Share Reduction;

B. Permitted Bid Acquisitions;

C. an Exempt Acquisition; or

D. a Pro Rata Acquisition,

provided that if a Person becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares by reason of one or any combination of a Voting Share Reduction, Permitted Bid Acquisitions, an Exempt Acquisition or a Pro Rata Acquisition and thereafter such Person becomes the Beneficial Owner of any additional Voting Shares (other than pursuant to a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition or a Pro Rata Acquisition), then as of the date that such Person becomes the Beneficial Owner of such additional Voting Shares, such Person will become an "Acquiring Person";

iii. for a period of ten days after the Disqualification Date, any person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of such Person becoming disqualified from relying on Section 1.1(f)(viii) solely because such Person or the Beneficial Owner of such Voting Shares has participated in, proposes or intends to make or is participating in a Take-Over Bid or any plan or proposal relating thereto or resulting therefrom, either alone or by acting jointly or in concert with any other Person. For the purposes of this definition, "Disqualification Date" means the first date of a public announcement of facts indicating that any Person has participated in, has made, proposes or intends to make or is participating in a Take-Over Bid or any plans or proposals relating thereto or resulting therefrom, including, without limitation, a report filed pursuant to Section 111 of the *Securities Act* (British Columbia) or Section 101 of the *Securities Act* (Ontario);

iv. an underwriter or member of a banking or selling group that becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares in connection with a bona fide distribution to the public of securities pursuant to an underwriting agreement with the Company; or

v. a Person (a "Grandfathered Person") who is the Beneficial Owner of 20% or more of the outstanding Voting Shares of the Company determined as at the Record Time, provided that this exception will not be, and will cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person, after the Record Time, becomes the Beneficial Owner of any additional Voting Shares that increases its Beneficial Ownership of Voting Shares by more than 1% of the number of Voting Shares outstanding as at the Record Time, other than through a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition or a Pro Rata Acquisition.

b. “Affiliate” means, when used to indicate a relationship with a specified Person, a Person that, directly, or indirectly through one or more intermediaries or otherwise, controls, or is controlled by, or is under common control with, such specified Person.

c. “Agreement” means this shareholder rights plan agreement dated for reference April 22, 2013 between the Company and the Rights Agent, as amended, modified or supplemented from time to time.

d. “annual cash dividend” means cash dividends paid at regular intervals in any financial year of the Company to the extent that such cash dividends do not exceed, in the aggregate, the greatest of:

   i. 200% of the aggregate amount of cash dividends declared payable by the Company on its Common Shares in its immediately preceding financial year;

   ii. 300% of the arithmetic average of the aggregate amount of cash dividends declared payable by the Company on its Common Shares in its three immediately preceding financial years; and

   iii. 100% of the aggregate consolidated net income of the Company, before extraordinary items, for its immediately preceding financial year.

e. “Associate” means, when used to indicate a relationship with a specified person:

   i. a corporation of which that Person owns at law or in equity, shares or securities currently convertible into shares carrying more than 10% of the Voting Rights exercisable with respect to the election of directors under all circumstances or by reason of the occurrence of an event that has occurred and is continuing, or a currently exercisable option or right to purchase such shares or such convertible securities and with whom that Person is acting jointly or in concert;

   ii. a partner of that Person acting on behalf of the partnership of which they are partners;

   iii. a trust or estate in which that Person has a beneficial interest and with whom that Person is acting jointly or in concert or in which that Person has a beneficial interest of 50% or more in respect of which that Person serves as a trustee or in a similar capacity provided, however, that a Person shall not be an associate of a trust by reason only of the fact that such Person serves as a trustee or any similar capacity in relation to such trust if such Person is duly licensed to carry on the business of a trust company under the laws of Canada or any province thereof or if the ordinary business of such Person includes the management of investments funds for unaffiliated investors and such person acts as trustee or in a similar capacity in relation to such trust in the ordinary course of such business; and

iv. a spouse of that Person, any person of the same or opposite sex with whom that Person is living in a conjugal relationship outside marriage, a child of that Person or a relative of that Person if that relative has the same residence as that Person.

f. "Beneficial Owner" means a Person shall be deemed the "Beneficial Owner", and to have "Beneficial Ownership" of, and to "Beneficially Own":

i. any securities as to which such Person or any of such Person's Affiliates is the direct or indirect owner at law or in equity and for the purposes of this Clause 1.1(f)(i) a Person shall be deemed to be an owner at law or in equity of all securities:

A. owned by a partnership of which the Person is a partner;

B. owned by a trust in which the Person has a beneficial interest and which is acting jointly or in concert with that Person or in which the Person has a beneficial interest of 50% or more;

C. owned jointly or in common with others; and

D. of which the Person may be deemed to be the beneficial owner (whether or not of record) pursuant to the provisions of the *Securities Act* (British Columbia), or pursuant to Rule 13d-3 or 13d-5 under the 1934 *Exchange Act* (or pursuant to any comparable or successor laws, regulations or rules enacted in relation to the provisions of the *Securities Act* (British Columbia), or pursuant to Rule 13d-3 or 13d-5 under the 1934 *Exchange Act* as in effect on the date of this Agreement;

ii. any securities as to which such Person or any of such Person's Affiliates or Associates has, directly or indirectly:

A. the right to acquire (whether such right is exercisable immediately or after lapse or passage of time and whether or not on condition or the happening of any contingency or otherwise) pursuant to any agreement, arrangement, pledge or understanding, whether or not in writing (other than (x) customary agreements with and between underwriters and/or banking group members and/or selling group members with respect to a bona fide public offering of securities (y) pledges of securities in the ordinary course of business that meet all the conditions specified in Rule 13d-3 under the 1934 *Exchange Act* (except for the condition in Rule 13d-3(d)(3)(ii)) and (z) pledge agreements with a registered securities dealer relating to the extension of credit for purchases of securities on margin in the ordinary course of the dealer's business), or upon the exercise of any conversion right, exchange right, share purchase right (other than the Rights), warrant or option, or otherwise; or

B. the right to vote such securities (whether such right is exercisable immediately or after the lapse or passage of time and whether or not on condition or the happening of any contingency or otherwise) pursuant to any agreement, arrangement, pledge (other than (x) pledges of securities in the ordinary course of business that meet all the conditions specified in Rule 13d-3(d)(3) under the 1934 *Exchange Act* (except for the condition in Rule 13D-3(d)(3)(ii) and (y) pledge agreements with a registered securities dealer relating to the extension of credit for purchases of securities on margin in the ordinary course of the dealer's business) or understanding (whether or not in writing) or otherwise;

iii. any securities which are Beneficially Owned within the meaning of Clauses 1.1(f)(i) or (ii) by any other Person with which such Person or any of such Person's Affiliates has any agreement, arrangement or understanding, whether or not in writing (other than (x) customary agreements with and between underwriters and/or banking group members and/or selling group members with respect to a bona fide public offering of securities, (y) pledges of securities in the ordinary course of business that meet all the conditions specified in Rule 13D-3(d)(3) under the 1934 *Exchange Act* (except for the condition in Rule 13d-3(d)(3)(ii)) and (z) pledge agreements with a registered securities dealer relating to the extension of credit for purchases of securities on margin in the ordinary course of the dealer's business) with respect to or for the purpose of acquiring, holding, voting or disposing of any Voting Shares of any class; and

iv. any securities which are directly or indirectly owned at law or in equity by an Associate of such Person;

provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to have "Beneficial Ownership" of, or to "Beneficially Own", any security:

v. where such security has been deposited or tendered pursuant to any Take-Over Bid made by such Person, made by any such Person's Affiliates or Associates or made by any other Person referred to in Clause 1.1(f)(iii), until such deposited or tendered security has been taken up or paid for, whichever shall first occur;

vi. where such Person, any of such Person's Affiliates or Associates or any other Person referred to in Clause 1.1(f)(iii), has or shares the power to vote or direct the voting of such security pursuant to a revocable proxy given in response to a public proxy solicitation or where such Person has an agreement, arrangement or understanding with respect to a shareholder proposal or proposals or a matter or matters to come before a meeting of shareholders, including the election of directors;

vii. where such Person, any of such Person's Affiliates or Associates or any other Person referred to in Clause 1.1(f)(iii), has or shares the power to vote or direct the voting of such security in connection with or in order to participate in a public proxy solicitation or where such Person has an agreement, arrangement or understanding with respect to a shareholder proposal or proposals or a matter or matters to come before a meeting of shareholders, including the election of directors;

viii. where such Person, any of such Person's Affiliates or Associates or any other Person referred to in Clause 1.1(f)(iii), holds or exercises voting or dispositive power over such security provided that:

A. the ordinary business of any such Person (the "Investment Manager") includes the management of investment funds for others (which others, for greater certainty, may include or be limited to one or more employee benefit plans or pension plans) and such voting or dispositive power over such security is held by the Investment Manager in the ordinary course of such business in the performance of such Investment Manager's duties for the account of any other Person (a "Client");

B. such Person (the "Trust Company") is licensed to carry on the business of a trust company under the laws of Canada or any province thereof and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons (each an "Estate Account") or in relation to other accounts (each an "Other Account") and holds such voting or dispositive power over such security in the ordinary course of such duties for the estate of any such deceased or incompetent Person or for such other accounts;

C. such Person is established by statute for purposes that include, and a substantial portion of the ordinary business or activity of such person (the "Statutory Body") is, the management of investment funds for employee benefit plans, pension plans, insurance plans or various public bodies; or

D. such Person (the "Administrator") is the administrator or trustee of one or more pension funds or plans registered under the laws of Canada or any Province thereof or the laws of the United States of America or any State thereof;

provided, in any of the above cases, that the Investment Manager, the Trust Company, the Statutory Body or the Administrator, as the case may be, is not then making or proposing to make a Take-Over Bid, other than an Offer to Acquire Voting Shares or other securities by means of a distribution by the Company or by means of ordinary market transactions (including prearranged trades) executed through the facilities of a stock exchange or organized over-the-counter market, alone or by acting jointly or in concert with any other Person; or

ix. where such Person is a Client of the same Investment Manager as another Person on whose account the Investment Manager holds or exercises voting or dispositive power over such security, or by reason of such Person being an Estate Account or an Other Account of the same Trust Company as another Person on whose account the Trust Company holds or exercises voting or dispositive power over such security.

g. "Board of Directors" means the board of directors from time to time of the Company or any duly constituted and empowered committee thereof.

h. "Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions in Vancouver are authorized or obligated by law to close.

i. "Canadian Dollar Equivalent" means, for any amount which is expressed in United States dollars on any date, the Canadian dollar equivalent of such amount determined by reference to the Canadian-U.S. Exchange Rate on such date.

j. "Canadian-U.S. Exchange Rate" means, on any date, the inverse of the U.S.-Canadian Exchange Rate.

k. "Close of Business" means, on any given date, the time on such date (or, if such date is not a Business Day, the time on the next succeeding Business Day) at which the principal transfer office in Vancouver, British Columbia of the transfer agent for the Common Shares of the Company (or, after the Separation Time, the principal transfer office in Vancouver of the Rights Agent) is closed to the public.

l. "Closing Price" per security of any securities on any date of determination means:

i. the closing board lot sale price or, if such price is not available, the average of the closing bid and asked prices, for such securities on such date as reported by the stock exchange or national securities quotation system on which such securities are listed or admitted to trading (provided that, if at the date of determination such securities are listed or admitted to trading on more than one stock exchange or national securities quotation system, such price or prices shall be determined based on the stock exchange or quotation system on which the largest number of such securities were traded during the most recently completed calendar year or, if a calendar year has not been completed prior to the date of determination, during such shorter period as the Board of Directors acting in good faith determines to be appropriate); or

ii. if for any reason none of such prices is available on such date or the securities are not listed or admitted to trading on a stock exchange or a national securities quotation system on such date, the last sale price, or in the case no sale takes place on such date, the average of the high bid and low asked prices for each such securities in the over-the counter market;

provided, however, that (A) if for any reason none of such prices are available on such date, the "**Closing Price**" per security of such securities on such date shall mean the fair value per security of the securities on such date as determined at the request of the Board of Directors by a nationally or internationally recognized investment dealer or investment banker; and (B) if the Closing Price so determined is expressed in United States dollars, such amount shall be converted to Canadian Dollar Equivalent.

m. "Common Shares" means the common shares without par value in the capital of the Company as presently constituted, as such shares may be subdivided, consolidated, reclassified or otherwise changed from time to time.

n. "Company" means Avino Silver & Gold Mines Ltd., and any successor or survivor corporation thereof in the event of any amalgamation, reorganization, or other merger of the Company with any other corporation.

o. "Company Act" means the *Business Corporations Act (British Columbia)*, as amended, and the regulations thereunder, as now in effect or as the same may from time to time be amended, re-enacted or replaced.

p. "Competing Permitted Bid" means a Take-Over Bid that is made while a Permitted Bid is in existence and that satisfies all of the provisions of a Permitted Bid, except that the condition set forth in Section 1.1(kk)(ii) may provide that the Voting Shares that are the subject of the Take-Over Bid may be taken up or paid for prior to the Close of Business on a date which is not earlier than the later of (i) 35 days after the date of the Take-Over Bid, and (ii) the 60th day after the earliest date on which Voting Shares may be taken up or paid for under any other Permitted Bid that is in existence for the Voting Shares.

q. "controlled", in relation to a Person or Persons, means a company shall be deemed to be "controlled" by another Person or two or more Persons if:

i. securities entitled to vote in the election of directors carrying more than 50% of the votes for the election of directors are held, directly or indirectly, by or for the benefit of the other Person or Persons; and

ii. the votes carried by such securities are entitled, if exercised, to elect a majority of the Board of Directors of such company.

r. "Co-Rights Agents" has the meaning ascribed thereto in Subsection 4.1(a).

s. "Disposition Date" has the meaning ascribed thereto in Subsection 5.1(h).

t. "Dividend Reinvestment Acquisition" shall mean an acquisition of Voting Shares pursuant to a Dividend Reinvestment Plan.

u. "Dividend Reinvestment Plan" means a regular dividend reinvestment or other plan of the Company made available by the Company to holders of its securities where such plan permits the holder to direct that some or all of:

i. dividends paid in respect of Common Shares;

ii. proceeds of redemption of shares of the Company;

iii. interest paid on evidence of indebtedness of the Company; or

iv. optional cash payments;

be applied to the purchase from the Company of Common Shares.

v. "Effective Date" means the Close of Business on the date of execution of this Agreement by all parties hereto.

w. "Election to Exercise" means an election to exercise Rights substantially in the form attached to the Rights Certificate.

x. "Exchange Act of 1934" or "1934 Exchange Act" means the Securities Exchange Act of 1934 (United States of America), as amended, and the rules and regulations thereunder, as now in effect or as the same may from time to time be amended, re-enacted or repealed.

y. "Exempt Acquisition" means a share acquisition in respect of which the Board of Directors has waived the application of Section 3.1 pursuant to the provisions of Sections 5.1(a) or (h).

z. "Exercise Price" means, as of any date, the price at which a holder of a Right may purchase the securities issuable upon exercise of one whole Right which, until adjustment thereof in accordance with the terms hereof, will be CDN $30.00.

aa. "Expansion Factor" shall have the meaning ascribed thereto in Section 2.3(a)(iv)(1).

bb. "Expiration Time" means the earlier of: (i) the Termination Time; and (ii) the eighth anniversary of the Effective Date.

cc. "Flip-in Event" means a transaction or event in or pursuant to which a Person becomes an Acquiring Person.

dd. "holder" shall have the meaning ascribed thereto in Section 2.8.

ee. "Independent Shareholders" means holders of outstanding Voting Shares, other than:

i. any Acquiring Person;

ii. any Offeror;

iii. any Affiliate or Associate of any Acquiring Person or Offeror;

iv. any Person acting jointly or in concert with any Acquiring Person or Offeror, or with any Affiliate or Associate of any Acquiring Person or Offeror; and

v. any employee benefit plan, deferred profit-sharing plan, stock participation plan and any other similar plan or trust for the benefit of employees of the Company unless the beneficiaries of the plan or trust direct the manner in which the Voting Shares are to be voted or direct whether the Voting Shares are to be tendered to a Take-Over Bid.

ff. "Market Price" per share of any securities on any date means the average Closing Price per security of such securities on each of the 20 consecutive Trading Days through and including the Trading Day immediately preceding such date provided, however, that if an event of a type analogous to any of the events described in Section 2.3 hereof shall have caused the Closing Prices used to determine the Market Price on any Trading Day not to be fully comparable with the Closing Price on such date (or, if such date is not a Trading Day, on the immediately preceding Trading Day), each such Closing Price so used shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof (as determined by the Board of Directors acting in good faith) in order to make it fully comparable with the Closing Price on such date or, if such date is not a Trading Day, on the immediately preceding Trading Day.

Notwithstanding the foregoing, where the Board of Directors is satisfied that the Market Price of securities as determined herein was affected by an anticipated or actual Take-Over Bid or by improper manipulation, the Board of Directors may, acting in good faith, determine the Market Price of securities, such determination to be based on a finding as to the price at which a holder of securities of that class could reasonably have expected to dispose of his securities immediately prior to the relevant date excluding any change in price reasonably attributable to the anticipated or actual Take-Over Bid or to the improper manipulation.

gg. "Nominee" has the meaning ascribed thereto in Subsection 2.2(c).

hh. "Offer to Acquire" includes:

i. an offer to purchase or a solicitation of an offer to sell Voting Shares; and

ii. an acceptance of an offer to sell Voting Shares, whether or not such offer to sell has been solicited;

or any combination thereof, and the Person accepting an offer to sell shall be deemed to be making an Offer to Acquire to the Person that made the offer to sell.

ii. "Offeror" means a Person who has announced an intention to make, or who has made, a Take-Over Bid.

jj. "Offeror's Securities" means the aggregate of all Voting Shares that are Beneficially Owned by the Offeror on the date of an Offer to Acquire.

kk. "Permitted Bid" means a Take-Over bid made by an Offeror by way of a take-over bid circular which also complies with the following additional provisions:

i. the Take-Over bid is made for all outstanding Voting Shares and to all holders of Voting Shares as registered on the books of the Company, other than the Offeror. The Take-Over Bid shall expressly state that Common Shares issued on the exercise of share purchase warrants, options and other securities convertible into Common Shares shall, subject to compliance with the procedures applicable generally to the tendering of Voting Shares of the Take-Over Bid, be eligible to be tendered under the Take-Over Bid;

ii. the Take-Over Bid contains, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified provision that no Voting Shares will be taken up or paid for pursuant to the Take-Over Bid prior to the Close of Business on the date which is not less than 60 days following the date of the Take-Over Bid and only if at such date more than 50% of the Voting Shares held by Independent Shareholders shall have been deposited or tendered pursuant to the Take-Over Bid and not withdrawn;

iii. the Take-Over Bid contains an irrevocable and unqualified provision that Voting Shares may be deposited pursuant to such Take-Over Bid at any time during the period of time described in Section 1.1(kk)(ii) and that any Voting Shares deposited pursuant to the Take-Over Bid may be withdrawn until taken up and paid for; and

iv. the Take-Over Bid contains an irrevocable and unqualified provision that in the event that the deposit condition set forth in Section 1.1(kk)(ii) is satisfied the Offeror will make a public announcement of that fact and the Take-Over Bid will remain open for deposits and tenders of Voting Shares for not less than ten Business Days from the date of such public announcement.

ll. "Permitted Bid Acquisition" means an acquisition of Voting Shares made pursuant to a Permitted Bid or a Competing Permitted Bid.

mm. "Person" includes an individual, body corporate, partnership, syndicate or other form of unincorporated association, a government and its agencies or instrumentalities, any entity or group (as such term is used in Rule 13d-5 under the Exchange Act of 1934 as in effect on the date hereof) whether or not having legal personality and any of the foregoing acting in any derivative, representative or fiduciary capacity.

nn. "Pro-Rata Acquisition" means an acquisition by a Person of Voting Shares pursuant to:

i. a Dividend Reinvestment Acquisition;

ii. a stock dividend, stock split or other event in respect of securities of the Company pursuant to which such Person becomes a beneficial owner of Voting Shares on the same pro-rata basis as all other holders of securities;

iii. the exercise by the Person of only those rights to purchase Voting Shares distributed to that Person in the course of a distribution to all holders of securities of the Company pursuant to a bona fide rights offering or pursuant to a prospectus; or

iv. a distribution to the public of Voting Shares, or securities convertible into or exchangeable for Voting Shares (and the conversion or exchange of such convertible or exchangeable securities), made pursuant to a prospectus or by way of a private placement, provided that the Person does not thereby acquire a greater percentage of such Voting Shares, or securities convertible into or exchangeable for Voting Shares, so offered than the Person's percentage of Voting Shares beneficially owned immediately prior to such acquisition.

oo. "Record Time" means 12:01 a.m. (Vancouver time) on the Effective Date.

pp. "Redemption Price" has the meaning ascribed thereto in Section 5.1(b).

qq. "Right" means a right to purchase Common Shares on and subject to the terms and conditions of this Agreement.

rr. "Rights Agent" means Computershare Investor Services Inc., and any successor rights agent hereunder.

ss. "Rights Certificate" means a certificate representing Rights in substantially the form of Schedule A attached hereto.

tt. "Rights Register" shall have the meaning ascribed thereto in Section 2.6(a).

uu. "Securities Act of 1933" means the Securities Act of 1933 (United States of America), as amended, and the rules and regulations thereunder, as now in effect or as the same may from time to time be amended, re-enacted or replaced.

vv. "Securities Act (British Columbia)" means the Securities Act, R.S.B.C. 1996, c. 418, as amended, and the rules and regulations thereunder, as now in effect or as the same may from time to time be amended, re-enacted or replaced.

ww. "Securities Act (Ontario)" means the Securities Act, R.S.O. 1990, c.S.5, as amended, and the regulations thereunder, as now in effect or as the same may from time to time be amended, re-enacted or replaced.

xx. "Separation Time" means the Close of Business on the tenth Business Day after the earlier of:

i. the Share Acquisition Date; and

ii. the date of the commencement of or first public announcement of the intent of any Person (other than the Company or any Subsidiary of the Company) to commence a Take-Over Bid (other than a Permitted Bid or a Competing Permitted Bid), or such earlier or later time as may be determined by the Board of Directors, provided that, if any Take-Over Bid referred to in this clause (ii) expires, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such Take-Over Bid shall be deemed, for the purposes of this definition, never to have been made.

yy. "Share Acquisition Date" means the first date of a public announcement or disclosure (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 111 of the *Securities Act* (British Columbia) or Section 101 of the *Securities Act* (Ontario) by the Company or an Acquiring Person that a Person has become an Acquiring Person.

zz. "Subsidiary" means a corporation shall be deemed to be a subsidiary of another corporation if:

i. it is controlled by:

A. that other; or

B. that other and one or more corporations, each of which is controlled by that other; or

C. two or more corporations, each of which is controlled by that other; or

ii. it is a Subsidiary of a corporation that is that other's Subsidiary.

aaa. "Take-Over Bid" means an Offer to Acquire Voting Shares, or securities convertible into Voting Shares if, assuming that the Voting Shares or convertible securities subject to the Offer to Acquire are acquired and are Beneficially Owned at the date of such Offer to Acquire by the Person making such Offer to Acquire, such Voting Shares (including Voting Shares that may be acquired upon conversion of securities, convertible into Voting Shares) together with the Offeror's Securities, constitute in the aggregate 20% or more of the outstanding Voting Shares at the date of the Offer to Acquire.

bbb. "Termination Time" means the time at which the right to exercise the Rights shall terminate pursuant to Section 5.1(e) or Section 5.17.

ccc. "Trading Day" means, when used with respect to any securities, a day on which the principal Canadian stock exchange on which such securities are listed or admitted to trading is open for the transaction of business or, if the securities are not listed or admitted to trading on any Canadian stock exchange, a Business Day.

ddd. "U.S.-Canadian Exchange Rate" means, on any date:

i. if on such date the Bank of Canada sets an average noon spot rate of exchange for the conversion of one United States dollar into Canadian dollars, such rate; and

ii. in any other case, the rate for such date for the conversion of one United States dollar into Canadian dollars calculated in the manner determined by the Board of Directors from time to time.

eee. "U.S. Dollar Equivalent" means, for any amount which is expressed in Canadian dollars on any date, the United States dollar equivalent of such amount determined by reference to the Canadian-U.S. Exchange Rate on such date.

fff. "Voting Shares" means the Common Shares and any other shares of the Company entitled to vote generally and at all times for the election of directors of the Company.

ggg. "Voting Share Reduction" means an acquisition or redemption by the Company of outstanding Voting Shares which, by reducing the number of Voting Shares outstanding, increases the percentage of Voting Shares Beneficially Owned by a Person to 20% or more of the Voting Shares then outstanding.

1.2 Currency: All sums of money which are referred to in this Agreement are expressed in lawful money of Canada, unless otherwise specified.

1.3 Headings and References: The headings of the articles, sections and subsections of this Agreement and the table of contents are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement. All references to articles, sections, subsections and paragraphs are to articles, sections, subsections and paragraphs of this Agreement. The words "hereto", "herein", "hereof", "hereunder", "this Agreement", "the Rights Agreement" and similar expressions refer to this Agreement including the schedule attached hereto as a whole, as the same may be amended, modified or supplemented at any time or from time to time.

1.4 Calculation of Number and Percentage of Beneficial Ownership of Outstanding Voting Shares: For purposes of this Agreement, the percentage of Voting Shares of any class Beneficially Owned by any Person, will be and be deemed to be the product (expressed as a percentage) determined by the formula:

$$100 \times \frac{A}{B}$$

where:

A = the number of votes for the election of all directors generally attaching to the Voting Shares of the particular class Beneficially Owned by such Person; and

B = the number of votes for the election of all directors generally attaching to all outstanding Voting Shares of the particular class.

Where any Person is deemed to Beneficially Own unissued Voting Shares such Voting Shares will be deemed to be outstanding for the purpose of calculating the percentage of Voting Shares of the particular class Beneficially Owned by such Person.

1.5 Acting Jointly or in Concert: For purposes of this Agreement, whether Persons are acting jointly or in concert is a question of fact in each circumstance, however, a Person shall be deemed to be acting jointly or in concert with another Person if such Person would be deemed to be acting jointly or in concert with such other Person for purposes of Section 96 of the *Securities Act* (British Columbia) or Section 91(1) of the *Securities Act* (Ontario).

ARTICLE 2. - THE RIGHTS

2.1 Legend on Common Share Certificates: Certificates representing Common Shares which are issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time, will also evidence one Right for each Common Share represented thereby and shall have impressed, printed or written thereon or otherwise affixed thereto the following legend:

"Until Separation Time (as such term is defined in the Shareholder Rights Agreement referred to below), this certificate also evidences and entitles the holder hereof to certain rights as set forth in the shareholder rights agreement (the "Shareholder Rights Agreement") dated for reference April 22, 2013 between Avino Silver & Gold Mines Ltd. (the "Company") and Computershare Investor Services Inc., as Rights Agent, the terms of which are hereby incorporated herein by reference and a copy of which is on file and may be inspected during normal business hours at the principal executive office of the Company. Under certain circumstances as set forth in the Shareholder Rights Agreement, such Rights may be amended, redeemed or exchange, may expire, may lapse, may become void (if, in certain circumstances, they are "Beneficially Owned" by a person who is or becomes an "Acquiring Person", as such terms are defined in the Shareholder Rights Agreement, or a transferee thereof) or may be evidenced by separate certificates and may no longer be evidenced by this certificate. The Company will mail or arrange for the mailing of a copy of the Shareholder Rights Agreement to the holder of this certificate without charge as soon as practicable after the receipt of a written request therefor."

Certificates representing Common Shares that are issued and outstanding at the Record Time will also evidence one Right for each one Common Share evidenced thereby, notwithstanding the absence of the foregoing legend, until the Close of Business on the earlier of the Separation Time and the Expiration Time.

2.2 Initial Exercise Price; Exercise of Rights; Detachment of Rights:

a. Exercise Terms: Subject to adjustment as herein set forth, each Right will entitle the holder thereof, from and after the Separation Time and prior to the Expiration Time, to purchase one Common Share for the Exercise Price (and the Exercise Price and number of Common Shares are subject to adjustment as set forth below). Notwithstanding any other provision of this Agreement, any Rights held by the Company or any of its Subsidiaries will be void.

b. No Exercise Prior to Separation Time: Until the Separation Time:

   i. the Rights will not be exercisable and no Right may be exercised; and

   ii. each Right shall be evidenced by the certificate for the associated Common Share registered in the name of the holder thereof (which certificate shall also be deemed to represent a Rights Certificate) and shall be transferable only together with, and shall be transferred by a transfer of, such associated Common Share.

c. Exercise After Separation Time: From and after the Separation Time and prior to the Expiration Time:

   i. the Rights are exercisable; and

   ii. the registration and transfer of Rights will be separate from and independent of Common Shares.

Promptly following the Separation Time, the Company will prepare and the Rights Agent will mail to each holder of record of Common Shares as of the Separation Time (other than an Acquiring Person and, in respect of any Rights Beneficially Owned by such Acquiring Person which are not held of record by such Acquiring Person, the holder of such Rights (a "Nominee")) at such holder's address as shown by the records of the Company (the Company hereby agreeing to furnish copies of such records to the Rights Agent for this purpose):

(A) a Rights Certificate appropriately completed, representing the number of Rights held by such holder at the Separation Time and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law, rule or regulation or with any rule or regulation of any self-regulatory organization, stock exchange or "system" on which the Rights may from time to time be listed or traded, or to conform to usage; and

(B) a disclosure statement describing the Rights;

provided that a Nominee shall be sent the materials provided for in (A) and (B) in respect of all Common Shares of the Company held of record by it which are not Beneficially Owned by an Acquiring Person.

d. Manner of Exercise: Rights may be exercised, in whole or in part, on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent:

i. the Rights Certificate evidencing such Right;

ii. an election to exercise such Rights (an "Election to Exercise") substantially in the form attached to the Rights Certificate appropriately completed and executed by the holder or his executors or administrators or other personal representatives or his or their legal attorney duly appointed by instrument in writing in form and executed in manner satisfactory to the Rights Agent; and

iii. payment by certified cheque, banker's draft or money order payable to the order of the Company, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer involved and the transfer or delivery of Rights Certificates or the issuance or delivery of certificates of Common Shares in a name other than that of the holder of the Rights being exercised.

e. Issue of Common Shares: Upon receipt of a Rights certificate, together with a completed Election to Exercise executed in accordance with Subsection 2.2(d)(ii), which does not indicate that such Right is null and void as provided by Subsection 3.1(b), and payment as set forth in Section 2.2(d)(iii), the Rights Agent (unless otherwise instructed by the Company in the event that the Company is of the opinion that the Rights cannot be exercised in accordance with this Agreement) will thereupon promptly:

i. requisition from the transfer agent certificates representing the number of Common Shares to be purchased (the Company hereby irrevocably authorizing its transfer agent to comply with all such requisitions);

ii. when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuing fractional Common Shares;

iii. after receipt of the certificates referred to in Section 2.2(e)(i), deliver the same to or upon the order of the registered holder of such Rights Certificates, registered in such name or names as may be designated by such holder; and

iv. when appropriate, after receipt, deliver the cash referred to in clause 2.2(e)(ii) to or to the order of the registered holder of such Rights Certificate.

f. Partial Exercise: In case the holder of any Rights shall exercise less than all of the Rights evidenced by the Rights Certificate of such holder, a new Rights Certificate evidencing the Rights remaining unexercised (subject to the provisions of Subsection 5.5(a)) will be issued by the Rights Agent to such holder or to such holder's authorized assigns.

g. Covenants: The Company covenants and agrees to:

i. take all such action as may be necessary on its part and within its powers to ensure that all Common Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates evidencing such Common Shares (subject to payment of the Exercise Price), be validly authorized, executed, issued and delivered and be fully paid and non-assessable;

ii. take all such action as may be necessary and within its power to comply with any applicable requirements of the Company Act, the *Securities Act* (British Columbia), the *Securities Act* (Ontario), and the securities laws or comparable legislation of each of the other provinces and territories of Canada, and any other applicable law, rule or regulation thereof, in connection with the issue and delivery of the Rights Certificates and the issuance of the Common Shares upon exercise of Rights;

iii. use reasonable efforts to cause all Common Shares issued upon exercise of Rights to be listed upon the stock exchanges upon which the Common Shares were traded immediately prior to the Share Acquisition Date;

iv. cause to be reserved and kept available out of the authorized and unissued Common Shares, the number of Common Shares that, as provided in this Agreement, will from time to time be sufficient to permit the exercise in full of all outstanding Rights;

v. pay when due and payable, if applicable, any and all federal, provincial and municipal transfer taxes and charges (not including any income or capital taxes of the holder or exercising holding or any liability of the Company to withhold tax) which may be payable in respect of the original issuance or delivery of the Rights Certificates, or certificates for the Common Shares to be issued upon exercise of any Rights, provided that the Company shall not be required to pay any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being transferred or exercised; and

vi. after the Separation Time, except as permitted by Section 5.1, not take (or permit any subsidiary to take) any action of at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

h. Additional Securities: If there shall not be sufficient securities authorized but unissued of the Company to permit the exercise or exchange in full of Rights pursuant to Sections 2.2, 3.1 or 3.2, then the Company will take all action as may be necessary to authorize additional securities for issuance upon the exercise or exchange of Rights as soon as practicable, and the time for the Company's delivery of the securities to be issued or exchanged shall be so extended; provided however, that the Company shall not be required to issue fractions of securities or to distribute certificates evidencing fractional securities. In lieu of issuing such fractional securities, subject to Section 5.5(b), there shall be paid to the registered holders of Rights to whom such fractional securities would otherwise be issuable, an amount in cash equal to the same fraction of the market price of a whole such security.

2.3 Adjustments to Exercise Price; Number of Rights: The Exercise Price, the number and kind of securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 2.3.

(a) Share Reorganization: If the Company shall at any time after the date of this Agreement:

(i) declare or pay a dividend on Common Shares payable in Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire Common Shares or other securities of the Company) other than pursuant to any optional stock dividend program;

(ii) subdivide or change the then outstanding Common Shares into a greater number of Common Shares;

(iii) consolidate or change the then outstanding Common Shares into a smaller number of Common Shares; or

(iv) issue any Common Shares for other securities exchangeable for or convertible into or giving a right to acquire Common Shares (or other securities of the Company) in respect of, in lieu of or in exchange for existing Common Shares except as otherwise provided in this Section 2.3,

the Exercise Price and the number of Rights outstanding, or, if the payment or effective date therefor shall occur after the Separation Time, the securities purchasable upon exercise of Rights shall be adjusted as of the payment or effective date in the manner set forth below.

If the Exercise Price and number of Rights outstanding are to be adjusted:

(1) the Exercise Price in effect after such adjustment will be equal to the Exercise Price in effect immediately prior to such adjustment divided by the number of Common Shares (or other capital stock) (the "Expansion Factor") that a holder of one Common Share immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result thereof; and

(2) each Right held prior to such adjustment will become that number of Rights as results from the application of the Expansion Factor,

and the adjusted number of Rights will be deemed to be distributed among the Common Shares with respect to which the original Rights were associated (if they remain outstanding) and the shares issued in respect of such dividend, subdivision, change, consolidation or issuance, so that each such Common Share (or other capital stock) will have exactly one Right associated with it in effect following the payment or effective date of the event referred to in Clause 2.3(a)(i), (ii), (iii) or (iv), as the case may be.

For greater certainty, if the securities purchasable upon exercise of Rights are to be adjusted, the securities purchasable upon exercise of each Right after such adjustment will be the securities that a holder of the securities purchasable upon exercise of one Right immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result of such dividend, subdivision, change, consolidation or issuance.

If, after the Record Time and prior to the Expiration Time, the Company shall issue any shares of capital stock other than Common Shares in a transaction of a type described in Clause 2.3(a)(i) or (iv), shares of such capital stock shall be treated herein as nearly equivalent to Common Shares as may be practicable and appropriate under the circumstances and the Company and the Rights Agent agree to amend this Agreement in order to effect such treatment.

In the event the Company shall at any time after the Record Time and prior to the Separation Time issue any Common Shares otherwise than in a transaction referred to in this Subsection 2.3(a), each such Common Share so issued shall automatically have one new Right associated with it, which Right shall be evidenced by the certificate representing such associated Common Share.

(b) Rights Offering: If the Company shall at any time after the Record Time and prior to the Separation Time fix a record date for the issuance of rights, options or warrants to all holders of Common Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Common Shares or securities convertible into or exchangeable for or carrying a right to purchase Common Shares at a price per Common Share (or, if a security convertible into or exchangeable for Common Shares or carrying a right to purchase or subscribe for Common Shares having a conversion, exchange or exercise price, including the price required to be paid to purchase such convertible or exchangeable security or right per share) less than the Market Price per Common Share on such record date, the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction:

(i) the numerator of which shall be the number of Common Shares outstanding on such record date, plus the number of Common Shares that the aggregate offering price of the total number of Common Shares so to be offered (and/or the aggregate initial conversion, exchange or exercise price of the convertible or exchangeable securities or rights so to be offered, including the price required to be paid to purchase such convertible or exchangeable securities or rights) would purchase at such Market Price per Common Share; and

(ii) the denominator of which shall be the number of Common Shares outstanding on such record date, plus the number of additional Common Shares to be offered for subscription or purchase (or into which the convertible or exchangeable securities or rights to be offered are initially convertible, exchangeable or exercisable).

In case such subscription price may be paid by delivery of consideration, part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of Rights. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights, options or warrants are not so issued, or if issued, are not exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would be in effect if such record date had not been fixed, or to the Exercise Price which would be in effect based upon the number of Common Shares (or securities convertible into, or exchangeable or exercisable for Common Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.

For purposes of this Agreement, the granting of the right to purchase Common Shares (whether from treasury or otherwise) pursuant to any Dividend Reinvestment Plan or any employee benefit stock option or similar plans shall be deemed not to constitute an issue of rights, options or warrants by the Company; provided, however, that, in all such cases, the right to purchase Common Shares is at a price per share of not less than 75% of the current market price per share (determined as provided in such plans) of the Common Shares.

(c) Special Distribution: If the Company shall at any time after the Record Time and prior to the Separation Time fix a record date for the making of a distribution to all holders of Common Shares (including any such distribution made in connection with a merger or amalgamation) of evidences of indebtedness, cash (other than an unusual cash dividend or a dividend paid in Common Share, but including any dividend payable in securities other than Common Shares), assets or rights, options or warrants (excluding those referred to in Subsection 2.3(b)), the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction:

(i) the numerator of which shall be the Market Price per Common Share on such record date, less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of Rights), on a per share basis, of the portion of the cash, assets, evidences of indebtedness, rights, options or warrants so to be distributed; and

(ii) the denominator of which shall be such Market Price per Common Share.

Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such a distribution is not so made, the Exercise Price shall be adjusted to be the Exercise Price which would have been in effect if such record date had not been fixed.

(d) Minimum adjustments: Notwithstanding anything herein to the contrary, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Price; provided, however, that any adjustments which by reason of this Subsection 2.3 (d) are not required to be made shall be carried forward and taken into account in many subsequent adjustment. All calculations under Section 2.3 shall be made to the nearest cent or to the nearest ten-thousandth of a share. Notwithstanding the first sentence of this Subsection 2.3(d), any adjustment required by Section 2.3 shall be made no later than the earlier of:

(i) three years from the date of the transaction which gives rise to such adjustment; or

(ii) the Expiration Time.

(e) Discretionary Adjustment: If the Company shall at any time after the Record Time and prior to the Separation Time issue any shares of capital stock (other than Common Shares), or rights, options or warrants to subscribe for or purchase any such capital stock, or securities convertible into or exchangeable for any such capital stock, in a transaction referred to in Clause 2.3(a)(i) or (iv), if the Board of Directors acting in good faith determines that the adjustments contemplated by Subsections 2.3(a), (b) and (c) in connection with such transaction will not appropriately protect the interests of the holders of Rights, the Board of Directors may determine what other adjustments to the Exercise Price, number of Rights and/or securities purchasable upon exercise of Rights would be appropriate and, notwithstanding Subsection 2.3(a), (b) and (c), such adjustments, rather than the adjustments contemplated by Subsections 2.3 (a), (b) and (c), shall be made. The Company and the Rights Agent shall have authority without the approval of the holders of the Common Shares or the holders of Rights to amend this Agreement as appropriate to provide for such adjustments or to provide that no adjustment(s) need to be made.

(f) Benefit of Adjustments: Each Right originally issued by the Company subsequent to any adjustment made to the Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of Common Shares purchasable from time to time hereunder upon exercise of a Right immediately prior to such issue, all subject to further adjustment as provided herein.

(g) No Change of Certificates: Irrespective of any adjustment or change in the Exercise Price or the number of Common Shares issuable upon the exercise of the Rights, the Rights Certificates theretofor and thereafter issued may continue to express the Exercise Price per Common Share and the number of Common Shares which were expressed in the initial Rights Certificates issued hereunder.

(i) Timing of Issuance: In any case in which this Section 2.3 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of Common Shares and other securities of the Company, if any, issuable upon such exercise over and above the number of Common Shares and other securities of the Company, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment;

(j) Adjustments Regarding Tax: Notwithstanding anything contained in this Section 2.3 to the contrary, the Company shall be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this Section 2.3, as and to the extent that in their good faith judgment the Board of Directors shall determine to be advisable, in order that any:

(i) consolidation or subdivision of Common Shares;

(ii) issuance (wholly or in part for cash) of Common Shares or securities that by their terms are convertible into or exchangeable for Common Shares;

(iii) stock dividends; or

(iv) issuance of rights, options or warrants referred to in this Section 2.3,

hereinafter made by the Company to holders of its Common Shares, shall not be taxable to such shareholders.

(k) Certificate of Adjustment: Whenever an adjustment to the Exercise price is made pursuant to this Section 2.3, the Company shall:

(i) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment; and

(ii) promptly file with the Rights Agent and with each transfer agent for the Common Shares a copy of such certificate and mail a brief summary thereof to each holder of the Rights who requests a copy.

2.4 Date on Which Exercise is Effective: Each Person in whose name any certificate for Common Shares or other securities, if applicable, is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Common Shares or other securities, if applicable, represented thereon, and such certificate shall be dated the date upon which the Rights Certificate evidencing such Rights was duly surrendered in accordance with Subsection 2.2(d) (together with a duly completed Election to Exercise) and payment of the Exercise Price for such Rights (and any applicable transfer taxes and other governmental charges payable by the exercising holder hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the transfer books of the Common Shares of the Company are closed, such Person shall be deemed to have become the holder of record of such Common Shares on, and such certificate shall be dated, the next succeeding Business Day on which the transfer books of the Common Shares are open.

2.5 Execution, Authentication, Delivery and Dating of Rights Certificates:

(a) Execution: The Rights Certificates shall be executed on behalf of the Company, under its corporate seal reproduced thereon, by any one of its Chairman, President, Chief Executive Officer, Chief Financial Officer, or a Vice-President or Secretary. The signature of any of these officers on the Rights Certificates may be manual or facsimile.

(b) Valid Signatures: Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the countersignature and delivery of such Rights Certificates.

(c) Delivery: Promptly after Company learns of the Separation Time, the Company shall notify the Rights Agent of such Separation Time and shall deliver Rights Certificates executed by the Company to the Rights Agent for countersignature, and the Rights Agent shall countersign (manually or by facsimile signature in a manner satisfactory to the Company) and send such Rights Certificates to the holders of the Rights pursuant to Subsection 2.2(c) hereof. No Rights Certificate shall be valid for any purpose until countersigned by the Rights Agent in the manner described above.

(d) Date: Each Rights Certificate shall be dated the date of countersignature thereof.

2.6 Registration, Transfer and Exchange:

(i) Maintaining of Register: The Company shall cause to be kept a register (the "Rights Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration and transfer of Rights. The Rights Agent is hereby appointed registrar for the Rights ("Rights Registrar") for the purpose of maintaining the Rights Register for the Company and registering Rights and transfers of Rights as herein provided and the Rights Agent hereby accepts such appointment. If the Rights Agent shall cease to be the Rights Registrar, the Rights Agent shall have the right to examine such register at all reasonable times. After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, and subject to the provisions of Subsection 2.6(c) below, the Company shall execute, and the Rights Agent shall countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificate so surrendered.

(b) Effect of Transfer or Exchange: All Rights issued upon any registration of a transfer or exchange of Rights Certificates shall be valid obligations of the Company, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.

(c) Transfer or Exchange of Rights: Every Rights Certificate surrendered for registration of transfer or exchange shall have the form of assignment thereon completed and executed, or be accompanied by a written instrument of transfer in form satisfactory to the Company or the Rights Agent, as the case may be, executed by the holder thereof or the attorney of such holder duly authorized in writing. As a condition to the issue of any new Rights Certificate under this Section 2.6, the Company may require the payment of an amount sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and other expenses, including the reasonable fees and expenses of its Rights Agent, connected therewith.

(d) No Transfer or Exchange After Termination The Company shall not be required to register the transfer or exchange of any Rights after the Rights have been terminated under Section 5.1 hereof.

2.7 Mutilated, Destroyed, Lost and Stolen Rights Certificates:

(a) Mutilation: If there shall be delivered to the Company and the Rights Agent prior to the Expiration Time, evidence to their satisfaction of the mutilation or defacing of any Rights Certificates, the Company shall execute and the Rights Agent shall countersign and deliver a new Rights Certificate upon surrender and cancellation of the mutilated or defaced Rights Certificate.

(b) Destruction, Loss: If there shall be delivered to the Company and the Rights Agent prior to the Expiration Time:

(i) evidence to their satisfaction of the destruction, loss or theft of any Rights Certificated; and

(ii) such security and indemnity as may be required by them to save each of them and their respective agents harmless, then, in the absence of notice to the Company or the Rights Agent that such Rights certificate has been acquired by a bona fide purchaser, the Company shall execute and the Rights Agent shall countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificated evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.

(c) Taxes: As a condition to the issue of any new Rights Certificate under this Section 2.7, the Company may require the payment of an amount sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses, including the reasonable fees and expenses of the Rights Agent, connected therewith.

(d) Original Obligation: Every new Rights Certificate issued pursuant to this Section 2.7 in lieu of any mutilated, destroyed, lost or stolen Rights Certificate shall evidence an original additional contractual obligation of the Company, whether or not he mutilated, destroyed, lost or stolen Rights Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Rights issued hereunder.

2.8 Persons Deemed Owners of Rights: The Company, the Rights Agent and any agent of the Company or the Rights Agent may deem and treat the person in whose name such Rights Certificate (or, prior to the Separation Time, the associated Common Share Certificate) is registered as the absolute owner thereon and of the Rights evidenced thereby for all purposes whatsoever. As used in this Agreement, unless the context otherwise requires, the term "holder" of any Right shall mean the registered holder of such Right (or, prior to the Separation Time of the associated Common Share).

2.9 Delivery and Cancellation of Certificates: All Rights Certificates surrendered upon exercise or for redemption, registration of transfer or exchange shall, if surrendered to any person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly cancelled by the Rights Agent. The Company may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly cancelled by the Rights Agent. No Rights Certificates shall be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in this Section 2.9, except as expressly permitted by this Agreement. The Rights Agent shall destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Company.

2.10 Agreement of Rights Holders: Every holder of Rights by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of Rights that:

(a) such holder is to be bound by and subject to the provisions of this Agreement, as amended from time to time in accordance with the terms hereof, in respect of all Rights held;

(b) prior to the Separation Time, each Right shall be transferable only together with, and shall be transferred by a transfer of, the associated Common Share certificate representing such Right;

(c) after the Separation Time, the Rights Certificates shall be transferable only on the Rights Register as provided herein;

(d) prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the certificate evidencing the associated Common Shares certificate) for registration of transfer, the Company, the Rights Agent and any agent of the Company or the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to the Separation Time, the certificate evidencing the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on such Rights Certificate or the certificate evidencing the associated Common Shares made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary;

(e) such holder has waived all rights to receive any fractional Right or any fractional Common Share or other securities upon exercise of a Right (except as provided herein);

(f) that, subject to the provisions of Section 5.4, without the approval of any holder of Rights Voting Shares and upon the sole authority of the Board of Directors, acting in good faith, this Agreement may be supplemented or amended from time to time to cure any ambiguity or to correct or supplement any provision contained herein which may be inconsistent with the intent of this Agreement or is otherwise defective, as provided herein; and

(g) that notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or to any other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a government, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation.

2.11 Rights Certificate Holder Not Deemed a Shareholder: No holder, as such, of any Rights or Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose whatsoever the holder of any Common Share or any other share or security of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed or deemed or confer upon the holder of any Right or Rights Certificate, as such, any right, title, benefit or privilege of a holder of Common Shares or any other shares or securities of the Company of any right to vote at any meeting of shareholders of the Company whether for the election of directors or otherwise or upon any matter submitted to the holders of Commons Shares or any other shares of the Company at any meeting thereof, or to give or withhold consent to any action of the Company, or to receive notice of any meeting or other action affecting any holder of Common Shares or any other shares of the Company except as expressly provided herein, or to receive dividends, distributions or subscription rights, or otherwise, until the Rights or Rights evidenced by the Rights Certificates shall have been duly exercised in accordance with the terms and the provisions hereof.

ARTICLE 3. - ADJUSTMENTS TO THE RIGHTS

3.1 Flip-in Event:

(a) Flip-in Event: Subject to the provisions of Sections 3.1(b), 3.2 and 5.1, if prior to the Expiration Time a Flip-in Event shall occur, each Right shall constitute, effective at the Close of Business on the tenth Trading Day after the Share Acquisition Date, the right to purchase from the Company, upon exercise thereof in accordance with the terms hereof, that number of Common Shares as have an aggregate Market Price on the date of consummation or occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in the event that, after such date of consummation or occurrence, an event of a type analogous to any of the events described in Section 2.3 hereof shall have occurred).

(b) Certain Rights Void: Notwithstanding anything in this Agreement to the contrary, upon the occurrence of any Flip-in Event, any Rights that are or were Beneficially Owned on or after the earlier of the Separation Time and the Share Acquisition Date by:

i. an Acquiring Person (or any Affiliate or an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person; or

ii. a transferee of Rights, directly or indirectly, of an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person), where such transferee becomes a transferee concurrently with or subsequent to the Acquiring Person becoming such in a transfer that the Board of Directors has determined is part of a plan, arrangement or scheme of an Acquiring Person (or any affiliate or associate of an Acquiring Person or any person acting jointly or in concert with an Acquiring Person or any affiliate or associate of an Acquiring Person), that has the purpose or effect of avoiding Section 3.1(b)(i).

shall become null and void without any further action and any holder of such Rights, including transferees, shall thereafter have no right to exercise such Rights under any provision of this Agreement and further shall thereafter not have any other rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise.

(c) Compliance with Laws: From and after the Separation Time, the Company shall do all acts and things as shall necessary and within its power to ensure compliance with the provisions of this Section 3.1, including without limitation, all such acts and things that may be required to satisfy the requirements of the Company Act, the *Securities Act* (British Columbia), and the securities laws or comparable legislation of each of the Provinces of Canada in respect of the issue of Common Shares on the exercise of Rights in accordance with this Agreement.

(d) Legend: Any Rights Certificate that represents Rights Beneficially Owned by a Person described in either Section 3.1(b)(i) or (ii) or transferred to any Nominee of any such Person, and any Rights Certificate issued upon the transfer, exchange or replacement of any other Rights Certificate referred to in this sentence shall contain and be deemed to contain the following legend:

> "*The Rights represented by this Rights Certificate were issued to a Person who was an Acquiring Person or an Affiliate or an Associate of an Acquiring Person (as such terms are defined in the Shareholder Rights Agreement) or a Person who was acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person. This Rights Certificate and the Rights represented hereby shall become void in the circumstances specified in Subsection 3.1(b) of the Shareholder Rights Agreement.*"

provided, however, that the Rights Agent shall not be under any responsibility to ascertain the existence of facts that would require the imposition of such legend but shall be required to impose such legend only if instructed to do so by the Company or if a holder fails to certify upon transfer or exchange in the space provided on the Rights Certificate that such holder is not a Person described in such legend.

3.2 Exchange Option:

(a) Optional Exchange: In the event that the Board of Directors acting in good faith shall determine that conditions exist which would eliminate or otherwise materially diminish in any respect the benefits intended to be afforded to the holders of Rights pursuant to this Agreement, the Board of Directors may at its option and without seeking the approval of holders of Common Shares or Rights, at any time after a Flip-in Event has occurred, authorize the Company to issue and deliver in respect of each Right which is not void pursuant to Section 3.1(b) either:

i. in return for the Exercise Price and Right, cash, debt, equity or other securities or other property or assets (or combination thereof) having a value equal to twice the Exercise 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, debt, equity or other securities or other property assets (or a combination thereof), having a value equal to the Exercise Price;

in full and final settlement of all rights attaching to the Rights; provided that the value of any such debt, equity or other securities or other property or asset shall be determined by the Board of Directors who may rely for that purpose on the advice of a nationally recognized Canadian firm of investment dealers or investment bankers selected by the Board of Directors. To the extent that the Board of Directors determines in good faith that any action need be taken pursuant to this Section 3.2, the Board of Directors may suspend the exercisability of the Rights for a period up to 60 days following the date of the occurrence of the relevant Flip-in Event in order to determine the appropriate form and value of cash, debt, equity or other securities or other property or assets (or a combination thereof) to be issued or delivered on such exchange for Rights. In the event of any suspension, the Company shall notify the Rights Agent and issue as promptly as practicable a public announcement stating the exercisability of the Rights has been temporarily suspended.

(b) Termination of Right To Exercise: If the Board of Directors authorizes and directs the exchange of cash, debt, other equity or other securities or other property or assets (or a combination thereof) for Rights pursuant to Subsection 3.2(a) hereof, then without any further action or notice the right to exercise the Rights will terminate and the only right thereafter of a holder of Rights shall be to receive such cash, debt, other equity or other securities or other property or assets (or a combination thereof) in accordance with the determination of the Board of Directors made pursuant to Section 3.2(a). Within 10 Business Days of the Board of Directors authorizing and directing any such exchange, the Company shall give notice of such exchange to the holders of such Rights in accordance with Section 5.9. Each such notice of exchange shall state the method by which the exchange of cash, debt, other equity or other securities or other property or assets (or a combination thereof) for Rights will be effected.

3.3 Fiduciary Duties of the Board of Directors: For clarification, it is understood that nothing contained in this Article 3 shall be considered to affect the obligations of the Board of Directors to exercise its fiduciary duties. Without limiting the generality of the foregoing, nothing contained herein shall be construed to suggest or imply that the Board of Directors shall not be entitled to recommend that holders of the Voting Shares reject or accept any Take-Over Bid or take any other action including, without limitation, the commencement, prosecution, defense or settlement of any litigation and the submission of additional or alternative Take-Over Bids or other proposals to the shareholders of the Company with respect to any Take-Over Bid or otherwise that the Board of Directors believes is necessary or appropriate in the exercise of its fiduciary duties.

ARTICLE 4. - THE RIGHTS AGENT

4.1 General:

(a) Appointment of Rights Agent: The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of Rights in accordance with the terms and conditions hereof and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint one or more co-Rights Agents ("Co-Rights Agents") as it may deem necessary or desirable. In such event, the respective duties of the Rights Agent and any Co-Rights Agent shall be as the Company may determine. The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability or expense, incurred without gross negligence, bad faith or wilful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and performance of this Agreement, which right to indemnification shall survive the termination of this Agreement, or the resignation or removal of the Rights Agent.

(b) Protection of Rights Agent: The Rights Agent shall be protected from, and shall incur no liability for or in respect of, any action taken, suffered or omitted by it in connection with its performance of this Agreement in reliance upon any certificate for Common Shares, or any Rights Certificate, certificate for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons. The Company will inform the Rights Agent in a reasonably timely manner of events which may materially affect the administration of this Agreement by the Rights Agent and, at any time upon written request, will provide to the Rights Agent an incumbency certificate certifying the then current officers of the Company.

4.2 Merger or Amalgamation or Change of Name of Rights Agent:

(a) Merger: Any corporation into which the Rights Agent or any successor Rights Agent may be merged or amalgamated with or into, or any corporation succeeding to the shareholder services business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4 hereof. In case at the time such successor Rights Agent succeeds to the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned, and in case at that time any of the Rights Certificates have not been countersigned, any successor Rights Agent may countersign such Rights certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent, and in all such cases such Rights Certificates shall have the full force and effect provided in the Rights Certificates and in this Agreement.

(b) Change of Name: In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned, and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

4.3 Duties of Rights Agent: The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

(a) Legal Counsel: The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted to be taken in good faith and in accordance with such opinion.

(b) Satisfactory Proof: Whenever in the performance of its duties under this Agreement the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action or omitting to take any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by a person believed by the Rights Agent to be the Chairman, the President, the Chief Executive Officer or any Vice-President and by the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent and such certificate shall be full authorization to the Rights Agent for any action taken, omitted or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) Bad Faith: The Rights Agent shall be liable hereunder only for its own gross negligence, bad faith or wilful misconduct.

(d) Recitals: The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates representing Common Shares or the Rights Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made only by the Company.

(e) No Responsibility: The Rights Agent shall not be under any responsibility in respect of the validity of his Agreement or the execution and delivery hereof (except the authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any certificate representing Common Shares or Rights Certificate (except its countersignature thereof), nor will it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate, any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 2.11 or Subsection 3.2(b) hereof) or any adjustment required under the provisions of Section 2.3 hereof or for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Section 2.3 hereof describing any such adjustment) nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Common Shares to be issued pursuant to this Agreement or any Rights or as to whether any Common Share shall, when issued, be duly and validly authorized, executed, issued and delivered and be fully paid and non-assessable.

(f) Performance By Company: The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may be reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) Persons to Give Instructions: The Rights Agent is hereby authorized to rely upon and directed to accept instructions with respect to the performance of its duties hereunder from any person believed by the Rights Agent to be the Chairman, the President, the Chief Executive Officer, any Vice-President, the Secretary, any Assistant Secretary, the Chief Financial Officer, the Treasurer or any Assistant Treasurer of the Company and to apply to such persons for advice or instructions in connection with its duties, and it shall not be liable for any action taken, omitted or suffered by it in good faith in accordance with the instructions of any such person.

(h) Ability to Deal: The Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in Common Shares, Rights or other securities of the Company or become pecuniarily interest in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) No Liability: The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, omission, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

4.4 Change of Rights Agent: The Rights Agent may resign and be discharged from its duties under this Agreement upon 60 days' notice (or such lesser notice as is acceptable to the Company) in writing delivered or mailed to the Company and to each transfer agent of Common Shares by first class or registered mail. The Company may remove the Rights Agent upon 60 days' notice in writing, mailed or delivered to the Rights Agent and to each transfer agent of Common Shares by first class or registered mail. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company fails to make such appointment within a period of 60 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of any Rights (which holder shall, with such notice, submit the Rights Certificate of such holder for inspection by the Company), then the holder of any Rights may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a company incorporated under the laws of Canada or a province thereof authorized to carry on the business of an escrow or rights agent in the Province of British Columbia. After appointment, the successor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed; provided that the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and delivery any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and the transfer agent of the Common Shares, and mail a notice thereof in writing to the holders of the Rights. Failure to give any notice provided for in this Section 4.4, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

4.5 Limitation of Liability:

(a) Notwithstanding any other provision of this Agreement, and whether such losses or damages are foreseeable or unforeseeable, the Rights Agent shall not be liable under any circumstances whatsoever for any (a) breach by any other party of securities law or other rule of any securities regulatory authority, (b) lost profits, or (c) special, indirect, incidental, consequential, exemplary, aggravated or punitive losses or damages.

(b) Notwithstanding any other provision of this Agreement, any liability of the Rights Agent shall be limited, in the aggregate, to the amount of fees paid by the Company to the Rights Agent under this Agreement, in the twelve (12) months immediately prior to the Rights Agent receiving the first notice of the claim.

ARTICLE 5. - MISCELLANEOUS

5.1 Redemption and Waiver:

(a) The Board of Directors acting in good faith may, until the occurrence of a Flip-in Event, upon prior written notice delivered to the Rights Agent, determine to waive the application of Section 3.1 to such particular Flip-in Event (which for greater certainty shall not include the circumstances described in Subsection 5.1(h)) provided that if the Board of Directors waives the application of Section 3.1 to a particular Flip-in Event pursuant to this Subsection 5.1 (a), the Board of Directors shall be deemed to have waived the application of Section 3.1 to any other Flip-in Event which may arise in respect of any Take-Over Bid then in effect or made prior to the public announcement of the completion or termination of the transaction in respect of which the Board of Directors waived the application of Section 3.1.

(b) The Board of Directors acting in good faith may, at its option, at any time prior to the provisions of Section 3.1 becoming applicable as a result of the occurrence of a Flip-in Event, elect to redeem all but not less than all of the outstanding Rights at a redemption price of $0.0001 per Right appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 if an event of the type analogous to any of the events described in Section 2.3 shall have occurred (such redemption price being herein referred to as the "Redemption Price"). The redemption of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish.

(c) In the event that prior to the occurrence of a Flip-in Event a Person acquires, pursuant to a Permitted Bid or a Competing Permitted Bid, not less than 90% of the outstanding Common Shares other than Common Shares Beneficially Owned at the date of the Permitted Bid or the Competing Permitted Bid by such Person, then the Board of Directors of the Company shall immediately upon the consummation of such acquisition without further formality be deemed to have elected to redeem the Rights at the Redemption Price.

(d) Where a Take-Over Bid that is not a Permitted Bid Acquisition is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, the Board of Director may elect to redeem all the outstanding Rights at the Redemption Price.

(e) If the Board of Directors is deemed under Subsection 5.1(c) to have elected, or elects under either of Subsection 5.1(b) or (d), to redeem the Rights, the right to exercise the Rights, will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price.

(f) Within 10 days after the Board of Directors is deemed under Subsection 5.1(c) to have elected, or elects under Subsection 5.1(b) or (d), to redeem the Rights, the Company shall give notice of redemption to the holders of the then outstanding Rights by mailing such notice to each such holder at his last address as it appears upon the registry books of the Rights Agent or, prior to the Separation Time, on the registry books of the transfer agent for the Voting Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made.

(g) Upon the Rights being redeemed pursuant to Subsection 5.1(d), all the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Common Shares as of the Separation Time had not been mailed to each such holder and for all purposes of this Agreement the Separation Time shall be deemed not to have occurred.

(h) The Board of Directors may waive the application of Section 3.1 in respect of the occurrence of any Flip-in Event if the Board of Directors has determined within ten Trading Days following a Share Acquisition Date that a Person became an Acquiring Person by inadvertence and without intention to become, or knowledge that it would become, an Acquiring Person under this Agreement and, in the event that such a waiver is granted by the Board of Directors, such Share Acquisition Date shall be deemed not to have occurred. Any such waiver pursuant to this Subsection 5.1(h) must be on the condition that such Person, within 14 days after the foregoing determination by the Board of Directors or such earlier or later date as the Board of Directors may determine (the "Disposition Date"), has reduced its Beneficial Ownership of Voting Shares such that the Person is no longer an Acquiring Person. If the Person remains an Acquiring Person at the Close of Business on the Disposition Date, the Disposition Date shall be deemed to be the date of occurrence of a further Share Acquisition Date and Section 3.1 shall apply thereto.

5.2 Expiration: No Person shall have any rights pursuant to this Agreement or any Right after the Expiration Time, except as provided in Section 4.1 hereof.

5.3 Force Majeure: No party shall be liable to the other, or held in breach of this Agreement, if prevented, hindered, or delayed in the performance or observance of any provision contained herein by reason of act of God, riots, terrorism, acts of war, epidemics, governmental action or judicial order, earthquakes, or any other similar causes (including, but not limited to, mechanical, electronic, or communication interruptions, disruptions or failures). Performance times under this Agreement shall be extended for a period of time equivalent to the time lost because of any delay that is excusable under this Section.

5.4 Issuance of New Rights Certificates: Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Rights Certificates evidencing Rights in such forms as may be approved by the Board of Directors to reflect any adjustment or change in the number or kind of securities purchasable upon exercise of Rights made in accordance with the provisions of this Agreement.

5.5 Supplements and Amendments:

(a) The Company may make amendments to this Agreement to correct any clerical or typographical error or which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation or regulations thereunder. The Company may, prior to the date of the shareholders' meeting referred to in Section 5.5(e), supplement or amend this Agreement without the approval of any holders of Rights or Voting Shares in order to make any changes which the Board of Directors acting in good faith may deem necessary or desirable. Notwithstanding anything in this Section 5.5 to the contrary, no such supplement or amendment shall be made to the provisions of Article 4 except with the written occurrence of the Rights Agent to such supplement or amendment.

(b) Subject to the Section 5.5(a), the Company may, with the prior consent of the holders of Voting Shares obtained as set forth below, at any time prior to the Separation Time, amend, vary or rescind any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Such consent shall be deemed to have been given if the action requiring such approval is authorized by the affirmative vote of a majority of the votes cast by Independent Shareholders present or represented at and entitled to be voted at a meeting of the holders of Voting Shares duly called and held in compliance with applicable laws and the constating documents of the Company.

(c) The Company may, with the prior consent of the holders of Rights, at any time on or after the Share Acquisition Date, vary or delete any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally), provided that no such amendment, variation or deletion shall be made to the provisions of Article 4 except with the written concurrence of the Rights Agent thereto. Such consent shall be deemed to have been given if such amendment, variation or deletion is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders and representing 50% plus one of the votes cast in respect thereof.

(d) Any approval of the holders of Rights shall be deemed to have been given if the action requiring such approval is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders of Rights and representing a majority of the votes cast in respect thereof. For the purposes hereof, each outstanding Right (other than Rights which are void pursuant to the provisions hereof) shall be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting shall be those, as nearly as may be, which are provided in the constating documents of the Company and the *Company Act* with respect to meetings of shareholders of the Company.

(e) Any amendments made by the Company to this Agreement pursuant to Subsection 5.5(a) which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation or regulation thereunder shall:

i. if made before the Separation Time, be submitted to the shareholders of the Company at the next meeting of shareholders and the shareholders may, by the majority referred to in Subsection 5.4(b), confirm or reject such amendment;

ii. if made after the Separation Time, be submitted to the holders of Rights at a meeting to be called for on a date not later than immediately following the next meeting of shareholders of the Company and the holders of Rights may, by resolution passed by the majority referred to in Subsection 5.5 (c), confirm or reject such amendment.

Any such amendment shall be effective from the date of the resolution of the Board of Directors adopting such amendment, until it is confirmed or rejected or until it ceases to be effective (as described in the next sentence) and, where such amendment is confirmed, it continues in effect in the form so confirmed. If such amendment is rejected by the shareholders or the holders of Rights or is not submitted to the shareholders or holder of Rights as required, then such amendment shall cease to be effective from and after the termination of the meeting at which it was rejected or to which it should have been but was not submitted or from and after the date of the meeting of holders or Rights that should have been but was not held, and no subsequent resolution of the Board of Directors to amend this Agreement to substantially the same effect shall be effective until confirmed by the shareholders or holders of Rights as the case may be.

5.6 Fractional Rights and Fractional Common Shares:

(a) No Fractional Rights: The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. After the Separation Time, in lieu of issuing fractional Rights the Company shall pay to the holders of record of the Right Certificates, at the time such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the Market Price of one whole Right that the fraction of a Right that would otherwise be issuable is of one whole Right.

(b) No Fractional Common Shares: The Company shall not be required to issue fractions of Common Shares upon exercise of the Rights or to distribute certificates which evidence fractional Common Shares. In lieu of issuing fractional Common Shares, the Company shall pay to the holders of record of Right Certificates at the time such Rights are exercised as herein provided, an amount in cash equal to the same fraction of the Market Price of one Common Share that the fraction of a Common Share that would otherwise be issuable upon the exercise of such Right is of a whole Common Share.

5.7 Rights of Action: Subject to the terms of this Agreement, rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective holders of the Rights, and any holder of any Rights, without the consent of the Rights Agent or of the holder of any other Rights may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise in respect of, such holder's right to exercise the Rights of such holder in the manner provided in the Rights Certificate of such holder and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and shall be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

5.8 Regulatory Approvals: Any obligations of the Company or action or event contemplated by this Agreement, such as to the issuance of Common Shares upon the exercise of Rights under Section 2.2(d), shall be subject to the receipt of any requisite approval or consent from any governmental or regulatory authority, and without limiting the generality of the foregoing, necessary approvals of any public stock exchange or automated quotation system having jurisdiction over the Company. Notwithstanding anything to the contrary in this Agreement, no supplement or amendment to this Agreement or to the terms of the Rights may be made without the prior consent of any public stock exchange or automated quotation system having jurisdiction over the Company, while the Common Shares are listed or quoted for trading thereon, and if such consent is required by their policies.

5.9 Declaration as to Non-Canadian Holders: If in the opinion of the Board of Directors (who may rely upon the advice of counsel) any action or event contemplated by this Agreement would require compliance by the Company with the securities laws or comparable legislation of a jurisdiction outside Canada, the Board of Directors acting in good faith shall take such actions as it may deem appropriate to ensure such compliance. In no event shall the Company or the Rights Agent be required to issue or deliver Rights, or securities issuable on exercise of Rights to persons who are citizens, residents or national of any jurisdiction other than Canada, in which such issue or delivery would be unlawful without registration of the relevant persons or securities for such purposes.

5.10 Notices:

(a) Notices or demands authorized or required by this Agreement to be given or made by the Rights Agent or by the holder of any Rights to or on the Company shall be sufficiently given or made if delivered, sent by registered or certified mail, postage prepaid (until another address is filed in writing with the Rights Agent), or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

Avino Silver & Gold Mines Ltd.
Suite 900, 570 Granville Street
Vancouver, B.C., V6C 3P1
Attention: Ms. Dorothy Chin, Secretary
Fax No.: (604) 682-3600

And with a copy to:

Salley Bowes Harwardt Law Corp.
Suite 1750 - 1185 W. Georgia Street
Vancouver, B.C. V6E 4E6

Attention: Mr. Paul A. Bowes
Fax No.: (604) 688-0778

(b) Notices or demands authorized or required by this Agreement to be given or made by the Company or by the holder of any Rights to or on the Rights Agent shall be sufficiently given or made if delivered, sent by registered or certified mail, postage prepaid (until another address is filed in writing with the Company), or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

Computershare Investor Services Inc.
3rd Floor, 510 Burrard Street
Vancouver, B.C. V6C 3B9

Attention: Manager, Client Services
Fax No.: (604) 661-9401

(c) Notices or demands authorized or required by this Agreement to be given or made by the Company of the Rights Agent to or on the holder of any Rights shall be sufficiently given or made if delivered or sent by mail, postage prepaid, addressed to such holder as it appears upon the register of the Rights Agent or, prior to the Separation Time, on the register of the Company for its Common Shares. Any notice which is mailed or sent in the manner herein provided shall be deemed given, whether or not the holder receives the notice.

(d) Any notice given or made in accordance with this Section 5.10 shall be deemed to have been given and to have been received on the day of delivery, of so delivered, on the third Business Day (excluding each day during which there exists any general interruption of postal service due to strike, lockout or other cause) following the mailing thereof, if so mailed, and on the day of faxing or sending of the same by other means of recorded electronic communication (provided such sending is during the normal business hours of the addressee on a Business Day and if not, on the first Business Day thereafter). Each of the Company and the Rights Agent may from time to time change its address for notice to the other given in the manner aforesaid.

5.11 Costs of Enforcement: The Company agrees that if the Company or any other Person the securities of which are purchasable upon exercise of Rights fails to fulfil any of its obligations pursuant to this Agreement, then the Company or such Person shall reimburse the holder of any Rights for the costs and expenses (including legal fees) incurred by such holder in actions to enforce his rights pursuant to any Rights or this Agreement.

5.12 Successors: All of the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind their respective successors and assigns and shall enure to the benefit of their respective successors and permitted assigns hereunder.

5.13 Benefits of this Agreement: Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the holders of Rights any legal or equitable right, remedy or claim under this Agreement and this Agreement shall be for the sole and exclusive benefit or the Company, the Rights Agent and the holders of Rights.

5.14 Governing Law: This Agreement and each Right issued hereunder shall be governed by and construed in accordance with the laws of the Province of British Columbia.

5.15 Severability: If any term or provision hereof or the application thereof in any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions hereof or the application of such term or provision in circumstances other than those as to which it is held invalid or unenforceable.

5.16 Effective Date: This Agreement is effective and in full force and effect in accordance with its terms from and after the Effective Date, subject to shareholder ratification pursuant to Section 5.17.

5.17 Shareholder Ratification: At or prior to the next annual general meeting of the shareholders of the Company, and provided that a Flip-in Event has not occurred prior to such time, the Board of Directors shall submit a resolution ratifying the continued existence of this Agreement to the Independent Shareholders for their consideration and, if thought fit, approval. Unless a majority of the votes cast by the Independent Shareholders who vote in respect of such resolution are voted in favour of the continued existence of this Agreement, this Agreement and any outstanding Rights shall be of no further force and effect from the date and time of termination of the annual general meeting.

5.18 Determination and Actions by the Board of Directors: The Board of Directors shall have the exclusive power and authority to administer and amend this Agreement and to exercise all rights and powers specifically granted to the Board of Directors or the Company, or as may be necessary of advisable in the administration of this Agreement, including, without limitation, the right and power to (a) interpret the provision of this Agreement and (b) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to terminate or redeem or not to terminate or redeem the Rights or to terminate or amend the Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of the balance of this sentence, all omissions with respect to the foregoing) which are done or made by the Board of Directors shall be final, conclusive and binding on the Company, the Rights Agent, the holders of Rights and all other parties and shall not subject the Board of Directors to any liability to the holders of Rights.

5.19 Counterparts: This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

5.20 Time of the Essence: Time shall be of the essence of this Agreement.

5.21 Entire Agreement: This Agreement represents the entire agreement between the parties with respect to the subject matter hereof, and supersedes and replaces all prior understandings or agreements between the parties.

5.22 Language: Les parties aux présentes déclarent avoir exigé que la présente convention ainsi que tous les documents et avis qui s'y rattachent ou qui en découlent soient rédigés en langue anglaise. The parties hereto have required that this Agreement and all documents and notices related thereto or resulting therefrom be drawn up in English.

5.23 Compliance with Money Laundering Legislation: The Rights Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Rights Agent reasonably determines that such an act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Rights Agent reasonably determine at any time that its acting under this Agreement has resulted in it being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days written notice to the Company, provided: (i) that the Rights Agent's written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Rights Agent's satisfaction within such 10 day period, then such resignation shall not be effective.

5.24 Privacy Provision: The parties acknowledge that federal and/or provincial legislation that addresses the protection of individual's personal information (collectively, "**Privacy Laws**") applies to obligations and activities under this Agreement. Despite any other provision of this Agreement, neither party will take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Company will, prior to transferring or causing to be transferred personal information to the Rights Agent, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or will have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Rights Agent will use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed.

AVINO SILVER & GOLD MINES LTD.

/s/ David Wolfin
David Wolfin, President & CEO

/s/ Dorothy Chin
Dorothy Chin, Secretary

COMPUTERSHARE INVESTOR SERVICES INC.

/s/ Marissa Beintema
Authorized Signatory

/s/ Christian Carvacho
Authorized Signatory

SCHEDULE A TO THE RIGHTS AGREEMENT
DATED FOR REFERENCE APRIL 22, 2013 BETWEEN
AVINO SILVER & GOLD MINES LTD. AND
COMPUTERSHARE INVESTOR SERVICES INC.

Form of Rights Certificate

Certificate No. _____ _____ Rights

THE RIGHTS ARE SUBJECT TO REDEMPTION OR MANDATORY EXCHANGE, AT THE OPTION OF THE COMPANY, ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. RIGHTS BENEFICIALLY OWNED BY ACQUIRING PERSONS (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) OR CERTAIN TRANSFEREES THEREOF ARE VOID.

Rights Certificate

This certifies that _____, or registered assigns, is the holder of record of the number of Rights set forth above, each one of which entitled the holder of record thereof, subject to the terms, provisions and conditions of the Shareholder Rights Agreement (the "Shareholder Rights Agreement") dated for reference April 22, 2013 between Avino Silver & Gold Mines Ltd. (the "Company") and Computershare Investor Services Inc. as Rights Agent under the Shareholder Rights Agreement, to purchase from the Company at any time after the Separation Time and prior to the Expiration Time (as such terms are defined in the Shareholder Rights Agreement), one common share of the company (a "Common Share") (subject to adjustment as provided in the Shareholder Rights Agreement) at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate with a completed and executed Form of Election to Exercise at the principal office of the Rights Agent in Vancouver, Canada. The Exercise Price shall initially be CDN $30.00 per Common Share and shall be subject to adjustment in certain events as provided in the Shareholder Rights Agreement.

In certain circumstances described in the Shareholder Rights Agreement, the Rights evidenced hereby may entitle the holder of record thereof to purchase shares of an entity other than the Company or to purchase or receive in exchange for such Rights Assets, securities or shares of the Company other than Common Shares or more or less than one Common Share, or some combination of the foregoing, all as provided in the Shareholder Rights Agreement.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Shareholder Rights Agreement which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Rights Agent, the Company and the holders of the Rights Certificates. A copy of the Shareholder Rights Agreement is on file at the principal executive office of the Company and is available upon written request.

This Rights certificate, with or without other Rights Certificates, upon surrender at the offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing the aggregate number of Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights Certificates so surrendered. If this Rights Certificate shall be exercised in part, the holder or record shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provision of the Shareholder Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Company at a redemption price of $0.0001 per Right, subject to adjustment in certain events, under certain circumstances at the option of the Company.

Subject to the provisions of the Shareholder Rights Agreement, the Rights evidenced by this Certificate may be terminated or amended by the Company at its option without the consent of holders of Rights.

No fractional Common Shares will be issued upon the exercise of any Right or Rights evidenced hereby nor will Rights Certificates be issued for less than one whole Right. After the Separation Time, in lieu of issuing fractional Rights a cash payment will be made as provided in the Shareholder Rights Agreement.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Common Shares or of any other securities which may at any time be issuable on the exercise hereof, nor shall anything contained in the Shareholder Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders of the Company at any meeting, to give or withhold consent to any corporate action, to receive notice of meetings or other actions affecting shareholders of the Company (except as provided in the Shareholder Rights Agreement), to receive dividends or subscription rights or otherwise, until the Rights evidenced by this Rights Certificate shall have been exercised as provided in the Shareholder Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until is shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company, this ___ day of _____, _____.

AVINO SILVER & GOLD MINES LTD.
Per:

_____
Name:
Title:

Countersigned:

COMPUTERSHARE INVESTOR SERVICES INC.
Per:

_____
Name:
Title:

[Form of Reverse Side of Rights Certificate]

FORM OF ASSIGNMENT

(To be executed by the holder of record if such
holder desires to transfer the Rights represented by this Rights Certificate.)

FOR VALUE RECEIVED _____

hereby sells, assigns and transfers
unto _____

_____

(Please print name and address of transferee)

this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ as attorney, to transfer the within Rights Certificate on the books of the Company with full power of substitution.

Dated: _____

Signature Guaranteed:

_____

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signatures must be guaranteed by a member firm of an eligible guarantor institution in an approved signature guarantee medallion program.

CERTIFICATION
(To be completed if true)

The undersigned hereby represents, warrants and certifies, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Shareholder Rights Agreement).

_____

Signature

NOTICE

In the event the certification set forth above is not completed in connection with a purported assignment, the Company will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person (as defined in the Shareholder Rights Agreement) and accordingly will deem the Rights evidenced by this Rights Certificate to be void and not transferable or exercisable.

FORM OF ELECTION TO EXERCISE

(To be executed is the holder desires to exercise the Rights Certificate)

TO: _____

The undersigned hereby irrevocably elects to exercise _____ whole Rights represented by the attached Rights Certificate to purchase the Common Shares issuable upon the exercise of such Rights and requests that certificates for such Common Shares be issued in the name of:

_____

Address:

_____

_____

Social Insurance or Other Taxpayer Identification Number : _____

If such number of Rights shall not be all the whole Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such whole Rights shall be registered in the name of and delivered to:

_____

Address:

_____

_____

Social Insurance or Other Taxpayer Identification Number: _____

Dated: _____

Signature Guaranteed:

_____

Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signatures must be guaranteed by a Canadian chartered bank or eligible guarantor institution with membership in an approved signature guarantee medallion program.

CERTIFICATION

(To be completed if true)

The undersigned hereby represents, warrants and certifies for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Right Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Shareholder Rights Agreement).

Signature

NOTICE

In the event the certification set forth above is not completed in connection with a purported assignment, the Company will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as defined in the Shareholder Rights Agreement) and accordingly will deem the Rights evidenced by this Rights Certificate to be void and not transferable or exercisable.

EXHIBIT 4.2

CONSULTING AGREEMENT

THIS AGREEMENT is dated for reference the 1st day of January, 2013 (the "**Effective Date**").

BETWEEN:

AVINO SILVER & GOLD MINES LTD., a company duly incorporated pursuant to the laws of the Province of British Columbia and having its head office at Suite 900 – 570 Granville Street, Vancouver, British Columbia V6C 3P1

(the "**Company**")

AND:

INTERMARK CAPITAL CORP., a company duly incorporated pursuant to the laws of the Province of British Columbia and having an office at Suite 900 – 570 Granville Street, Vancouver, British Columbia V6C 3P1

(the "**Consultant**")

WHEREAS:

A. The Company is a mining and exploration company, whose common shares are listed on the TSX Venture Exchange and NYSE MKT;

B. The Consultant provides management and financial consulting services to exploration and development companies, and the principal shareholder of the Consultant, David Wolfin (the "**Principal**"), has been the President and Chief Executive Officer and a director of the Company; and

C. The Company wishes to engage the management and financial services of the Consultant, and the Consultant wishes to be engaged by the Company, to perform the functions of a management consultant to the Company as set forth herein below.

NOW THEREFORE, in consideration of the premises and the covenants and agreements of the parties hereto as hereinafter set forth, and for other good and reliable consideration, the sufficiency of which is hereby acknowledged by the parties, the parties hereto covenant and agree as follows:

1. ENGAGEMENT OF CONSULTANT

1.1 The Company hereby appoints and engages the Consultant as a consultant with respect to the Services (as defined below) and the Consultant hereby accepts such appointment and engagement by the Company, all upon and subject to the terms and conditions of this Agreement.

2. SERVICES OF CONSULTANT

2.1 During the Term (as defined below), the Consultant shall provide to the Company advisory and consulting services as more particularly set forth in **Schedule "A"** or as the Company may request from time to time (collectively, the "**Services**").

2.2 The Consultant shall at all times and in all respects do its utmost to enhance and develop the business interests and welfare of the Company.

2.3 The Consultant shall be subject to such supervision as may be imposed by the Company in its sole discretion, and the Consultant shall furnish regular reports and any other data and information relating to the Services as may, from time to time, be requested by the Company.

2.4 The Consultant shall provide its services to the Company.

3. FEES

3.1 The Company will pay the Consultant basic remuneration for its services in the sum of $12,500 per month, based on 150 hours per month at an hourly rate of $83.33 (the "**Consulting Fee**") commencing on the 1st day of January, 2013, and payable on the last day of each month thereafter up to and including the 31st day of December, 2015, together with any such increments thereto as the Compensation Committee of the Board of Directors of the Company may from time to time determine. In addition, the Company will pay to the Consultant all reasonable expenses of the Consultant as agreed to from time to time which are incurred by the Consultant in delivery of the Services, based on monthly invoices submitted to the Company, including copies of all paid receipts; plus harmonized sales taxes or goods and services taxes, as the case may be, in addition to the Consulting Fees, which taxes will be remitted by the Consultant to the Canada Revenue Agency.

4. TERM AND RENEWAL

4.1 During the term of this Agreement, the Consultant shall provide its Services to the Company through its Principal, and the Consultant shall ensure that the Principal will be available to provide such Services to the Company in a timely manner.

4.2 The term of this Agreement is for a period of three (3) years (the "**Term**") commencing on the Effective Date and, unless terminated earlier in accordance with the termination provisions of this Agreement, ending on December 31, 2015.

5. TERMINATION

5.1 This 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 entitled to a termination payment equal to the annual Consulting Fee within thirty (30) days of the date of termination.

For the purpose of this clause, 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.

5.2 On any termination of this Agreement under Section 5.1(a), (b), or (c) all outstanding stock options granted to the Consultant shall be exercisable in accordance with the terms of the option agreements covering such grants. If there is any inconsistency between the terms of this Agreement and the terms of any stock option agreement governing the grant of any stock options to the Consultant or the Principal, then the terms of such stock option agreement shall prevail.

5.3 This Agreement and the Term shall terminate automatically, without any prior notice or any payment to the Consultant, in the event that:

(a) the three year Term expires on December 31, 2015;

(b) the Consultant should no longer be able to provide the Services through the Principal for any reason;

(c) upon the death or permanent incapacity of the Principal; or

(d) The Consultant commits any material breach of this Agreement which breach is not remedied within 30 days after notice to the Consultant of such breach.

6. CONFIDENTIALITY

6.1 The Consultant acknowledges and agrees that in the performance of its obligations under this Agreement, it may obtain knowledge of Confidential Information (as defined below) relating to the business or affairs of the Company or its affiliated companies (the "**Affiliated Companies**"). The Consultant and the Principal shall not, without the prior written consent of the Company, either during the Term or at any time thereafter:

(a) use or disclose any Confidential Information outside of the Company or the Affiliated Companies;

(b) except in undertaking the Services, remove or aid in the removal from the premises of the Company or any of the Affiliated Companies any Confidential Information or any property or material relating thereto; or

(c) use the Confidential Information for any purpose other than in performing the Services.

6.2 The Consultant shall exercise a reasonable degree of care in safeguarding the aforementioned Confidential Information against loss, theft, or other inadvertent disclosure, and further agrees to take all reasonable steps necessary to ensure the maintenance of confidentiality.

6.3 Upon the termination of this Agreement, or upon the Company's earlier request, the Consultant and the Principal shall promptly deliver to the Company all of the Confidential Information that the Consultant and the Principal may have in their possession or control.

6.4 In this Agreement, "**Confidential Information**" shall mean any information or knowledge including, without limitation, any document, materials, know how, discovery, strategy, method, idea, client list, marketing strategy or employee compensation, or copies or adaptations thereof, that relates to the business or affairs of the Company and / or the Affiliated Companies; and is private or confidential in that it is not generally known or available to the public. Without limiting the generality of the forgoing "Confidential Information" will include:

(a) information regarding the Company and the Affiliated Companies' business operations, methods and practices, including marketing strategies, product pricing, margins and hourly rates for staff, costs and all information regarding the financial affairs of the Company and the Affiliated Companies;

(b) all information related to the mineral exploration interests of the Company and the Affiliated Companies including maps, data, records, reports, technical studies, drill hole logs, calculations, opinions, charts, drawings, sketches, plans, documents, summaries, memoranda, analysis and all geological or technical information;

(c) all information related to the properties, projects, facilities, equipment and other assets used in the business of the Company and the Affiliated Companies, and all information related to the exploration or development of (or potential exploration or development of) the Company and the Affiliated Companies' properties or projects, including without limitation any properties or projects in respect of which the Company has made any application or is in any negotiations for the acquisition of an ownership, leasehold or other interest in;

(d) terms of the Company and the Affiliated Companies' relationship with, its investors, (if not otherwise publically available), partners, clients, suppliers of products or services, and the Company and the Affiliated Companies' referral sources;

(e) all information concerning exploration, financing or other business opportunities of the Company and the Affiliated Companies, including all projects, ventures or joint ventures considered by the Company and the Affiliated Companies, whether or not pursued; and

(f) all trade secrets or other confidential or proprietary information of the Company and the Affiliated Companies including, business plans, concepts, techniques, processes, designs, data, software programs, formulae, development or experimental work, work in process or other know-how.

6.5 Confidential Information shall specifically not include anything that:

(a) is in or enters lawfully into the public domain other than as a result of a disclosure by the Consultant or the Principal;

(b) becomes available to the Consultant on a non-confidential basis from a source other than the Company or the affiliated Companies, or any of its representatives, and that source was not under any obligation of confidentiality; or

(c) the Consultant is required to disclose pursuant to an order of a court of competent jurisdiction or by the operation of law; provided that, the Consultant provides prompt prior written notice to the Company of such required disclosure and of the action which is proposed to be taken in response. In such an event, and only after the Consultant shall have made a reasonable effort to obtain a protective order or other reliable assurance affording such information confidential treatment, the Consultant shall furnish only that portion of the Confidential Information which it is required to disclose.

7. NON-SOLICITATION

7.1 The Consultant covenants, undertakes and agrees with the Company that during the Term and for a period of one year from the date of expiration or termination of this Agreement for any reason whatsoever, it shall not, on its own behalf or on behalf of any person, whether directly or indirectly, in any capacity whatsoever, offer employment to or solicit the employment of or otherwise entice away from the employment of the Company or any of the Affiliated Companies, any individual who is employed or engaged by the Company or any of the Affiliated Companies at the date of expiration or termination of this Agreement or who was employed or engaged by the Company or any of the Affiliated Companies, within the one year period immediately preceding the date of expiration or termination of this Agreement, as applicable.

7.2 The Consultant acknowledges and agrees that the above restriction on non-solicitation is reasonable and necessary for the proper protection of the businesses, property and goodwill of the Company and the Affiliated Companies.

8. DISCLOSURE AND ASSIGNMENT OF PROJECTS AND WORKS

8.1 The Consultant agrees that all discoveries, maps, technical studies, plans, spreadsheets, documents, inventions, copyright, software, improvements, know-how or other intellectual property, whether or not patentable or copyrightable, created by the Consultant during the Term of this Agreement pertaining to any service, matter, thing, process or method related to this Agreement (the "**Works**") will be the sole and absolute property of the Company. The Consultant will keep and maintain adequate and current written records of all Works made, which records will be available at all times to the Company and will remain the sole property of the Company.

8.2 The Consultant will assist the Company in obtaining and enforcing, for the Company's own benefit, patents, copyrights and any other protections in any and all countries for any and all Works made by the Consultant (in whole or in part) the rights to which belong to or have been assigned to the Company. The Consultant agrees, upon request, to execute all applications, assignments, instruments and papers and perform all acts that the Company or its counsel may deem necessary or desirable to obtain any and all patents, copyrights or other protection in such Works and otherwise to protect the interests of the Company therein.

9. COMPLIANCE WITH LAWS

9.1 The Services undertaken by the Consultant under this Agreement shall be in full compliance with all applicable laws and consistent with a high degree of business ethics.

10. INDEMNIFICATION

10.1 The Consultant shall indemnify and save harmless the Company for any demonstrated losses, damages, costs or other amounts, including without limitation reasonable legal fees, suffered or incurred by the Company arising out of third party claims relating to the presence or activities of the Consultant or its representatives in performing the Services to the extent that such losses, damages, costs or other amounts are caused by:

(a) any breach of the Consultant's obligation in Section 9 herein; and

(b) any negligence, wilful misconduct or fraud on the part of the Consultant in performing the Services.

10.2 Subject to the Consultant's obligation to indemnify the Company under this Section 10, and provided that the Consultant has not breached Section 9, the Company shall indemnify and save harmless the Consultant for any demonstrated losses, damages, costs or other amounts, including without limitation reasonable legal fees, suffered or incurred by the Consultant arising out of third party claims relating to the presence or activities of the Consultant and/or its representatives in performing the Services to the extent that such losses, damages, costs or other amounts are caused by the negligence, wilful misconduct or fraud on the part of the Company.

10.3 Neither the Company nor the Consultant shall be liable for any consequential loss, including but not limited to, claims for loss of profit, revenue or capital, loss of use of utilities, equipment or facilities, down-time cost, service interruption, cost of money, injury or damage of any character whatsoever.

11. REMEDIES

11.1 The Consultant acknowledges and agrees that any breach of this Agreement by it could cause irreparable damage to the Company and / or the Affiliated Companies and that in the event of a breach by the Consultant, the Company shall have in addition to any and all other remedies at law or in equity, the right to an injunction, specific performance or other equitable relief to prevent any violation by the Consultant of any of the provisions of this Agreement. In the event of any such dispute, the Consultant agrees that the Company shall be entitled, without showing actual damages, to a temporary or permanent injunction restraining conduct of the Consultant pending a determination of such dispute and that no bond or other security shall be required from the Company in connection therewith. The Consultant acknowledges and agrees that the remedies of the Company specified in this Agreement are in addition to and not in substitution for any other rights and remedies of the Company at law or in equity and that all such rights and remedies are cumulative and not alternative or exclusive of any other rights or remedies and that the Company may have recourse to any one or more of its available rights and remedies as it shall see fit.

12. RELATIONSHIP

12.1 The Company and Consultant each acknowledge and agree that the only relationship of the Consultant to the Company created by this Agreement shall for all purposes be that of a contractor, and all persons employed or engaged by the Consultant, including David Wolfin in connection herewith shall for all purposes be considered to be employed or engaged, as applicable, by the Consultant and not by the Company. The Company shall have no obligation whatsoever to pay or compensate the Consultant and/or any representative of the Consultant including David Wolfin, for taxes of any kind whatsoever that arise out of or with respect to any Consulting Fee, or any other fee, remuneration or compensation provided to the Consultant under this Agreement.

12.2 The Consultant shall fully indemnify and hold harmless the Company from and against all assessments, claims, liabilities, costs, expenses and damages that the Company and / or any of the Affiliated Companies may suffer or incur with respect to any such taxes or benefits. For greater clarity, the Consultant is solely responsible for the deduction and remissions of income tax, pension and employment insurance in respect of any employees retained by the Consultant to perform the services under this Agreement. Furthermore, if these amounts are not remitted, the Consultant will, in addition to any other provision under this Agreement, indemnify and hold harmless the Company, its subsidiaries, affiliates and their respective directors and officers from and against any claim for taxes, penalties and for withholding of funds by the applicable tax, worker's compensation, employment standards and insurance agencies or any other government agency with respect to any amount found to be payable by the Company to such agency or commission in respect of the Consultant's provision of services under this Agreement, including any legal fees incurred by the Company in defending such claims.

13. SURVIVAL OF TERMS

13.1 Sections 6 through 12, inclusive, and this Section 13, shall survive and remain in force notwithstanding the expiration or other termination of this Agreement for any reason whatsoever. Any expiration or termination of this Agreement shall be without prejudice to any rights and obligations of the parties hereto arising or existing up to the effective date of such expiration or termination, or any remedies of the parties with respect thereto.

14. LIMITED AUTHORITY AS AGENT

14.1 Unless otherwise agreed to in writing by the parties, the Consultant may not act as an agent of the Company; however, this does not and is not intended to restrict the powers of the Principal to act as President and Chief Executive Officer of the Company in any way. Without limiting the generality of the foregoing, the Consultant shall not commit or be entitled to commit the Company to any obligation whatsoever nor shall the Consultant incur or be entitled to incur any debt or liability whatsoever on behalf of the Company, except as otherwise agreed to by the Company.

15. NO ASSIGNMENT

15.1 Neither this Agreement nor any of the rights of any of the parties under this Agreement shall be assigned without the written consent of all the parties.

16. SUCCESSORS AND ASSIGNS

16.1 The Agreement shall enure to the benefit of and be binding upon the parties and their respective heirs, executors, administrators, successors and permitted assigns, as the case may be.

17. WAIVER

17.1 Any waiver of any breach or default under this Agreement shall only be effective if in writing signed by the party against whom the waiver is sought to be enforced, and no waiver shall be implied by indulgence, delay or other act, omission or conduct. Any waiver shall only apply to the specific matter waived and only in the specific instance in which it is waived.

18. GOVERNING LAWS

18.1 Unless otherwise agreed to in writing by the parties, the Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein, and the parties hereto submit and attorn to the jurisdiction of the courts of the Province of British Columbia.

19. FURTHER ASSURANCES

19.1 Each of the parties shall, on request by the other party, execute and deliver or cause to be executed and delivered all such further documents and instruments and do all such further acts and things as the other party may reasonably require to evidence, carry out and give full effect to the terms, conditions, intent and meaning of this Agreement and to ensure the completion of the transactions contemplated hereby.

20. NOTICES

20.1 All notices required or permitted under this Agreement shall be in writing and shall be given by delivering such notice or mailing such notice by pre-paid registered mail, by facsimile transmission or electronic mail to the addresses provided under the names of each party on the first page to this Agreement. Any such notice or other communication shall, if delivered, be deemed to have been given or made and received on the date delivered (or the next business day if the day of delivery is not a business day), and if mailed, shall be deemed to have been given or made and received on the fifth business day following the day on which it was so mailed and if faxed (with confirmation received) shall be deemed to have been given or made and received on the day on which it was so faxed (or the next business day if the day of sending is not a business day). The parties may give from time to time written notice of change of address in the manner aforesaid.

21. CONSTRUCTION

21.1 In this Agreement, unless otherwise indicated:

(a) "**Agreement**" means this Consulting Agreement;

(b) the words "**include**", "**including**" or "**in particular**", when following any general term or statement, shall not be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as permitting the general term or statement to refer to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement;

(c) "**herein**", "**hereby**", "**hereunder**", "**hereof**", "**hereto**" and words of similar import, refer to this Agreement as a whole and not to any particular Section of this Agreement.

(d) a reference to a statute means that statute, as amended and in effect as of the date hereof, and includes each and every regulation and rule made thereunder and in effect as of the date hereof, and includes all amendments thereof given effect from time to time;

(e) a reference to a Section means, unless the context otherwise requires, that specific Section in Agreement;

(f) a reference to a "**consent**", "**notice**" or "**agreement**" means a consent, notice or agreement, as the case may be, by an authorized representative of the party or parties thereto;

(g) where a word, term or phrase is defined herein, its derivatives or other grammatical forms have a corresponding meaning;

(h) all words, other than defined terms, used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include the singular or the plural and the masculine, feminine or body corporate, as the context may require;

(i) time is of the essence;

(j) in the event that any date on which any action is required to be taken hereunder by any of the parties hereto is not a business day, such action shall be required to be taken on the next succeeding day which is a business day;

(k) references to a "**party**" or "**parties**" are references to a party or parties to this Agreement;

(l) the headings in this Agreement form no part of this Agreement and shall be deemed to have been inserted for convenience only;

(m) unless otherwise agreed to in writing by the parties, all dollar amount referred to herein are expressed in Canadian dollars; and

(n) the Effective Date of this Agreement shall be January 1, 2013, despite the actual date of execution of this Agreement.

22. SEVERABILITY

22.1 If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, illegal or unenforceable, then to the fullest extent permitted by law:

(a) all other provisions of this Agreement shall remain in full force and effect in such jurisdiction and shall be liberally construed in order to carry out the intentions of the parties as nearly as may be possible; and

(b) such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction.

23. COUNTERPARTS AND FACSIMILE

23.1 This Agreement may be executed in one or more counterparts and delivered by facsimile, each of which when so executed shall constitute an original and all of which together shall constitute one and the same agreement.

24. INDEPENDENT LEGAL ADVICE

24.1 The Company has recommended to the Consultant that it obtain independent legal advice prior to signing this Agreement. The Consultant acknowledges that it has received independent legal advice or have waived the opportunity to do so and have elected to proceed without benefit of same.

IN WITNESS WHEREOF this Agreement has been executed as of the Effective Date.

AVINO SILVER & GOLD MINES LTD.

Per:

/s/ Gary Robertson
Authorized Signatory

INTERMARK CAPITAL CORP.

Per:

/s/ David Wolfin
Authorized Signatory

THIS IS **SCHEDULE "A"** TO THE CONSULTING AGREEMENT
BETWEEN AVINO SILVER & GOLD MINES LTD. AND INTERMARK CAPITAL CORP.

Description of Consulting Services:

The Consultant shall provide management and financial consulting services, including the supervision of the senior management, all staff, and all field personnel of the Company, whether employees or consultants, strategic planning and property acquisitions, strategic financial planning and annual budget reviews, as well as the implementation and monitoring of the Company's compliance with continuous reporting requirements, internal controls over accounting systems and financial reporting to the Company.

Duties and Responsibilities:

The Executive shall serve the Company as an executive officer in the position of President and Chief Executive Officer.

The Executive shall report to the Board and shall undertake and perform the following duties and responsibilities:

- actively engage with the Board to ensure that the initiatives of the management team are aligned with the strategic direction and objectives for the Company that have been established by the Board;
- provide overall direction for the Company in order for it to implement agreed strategies in order to meet Company goals and objectives;
- provide shareholder and investor communication and manage key investment banking and institutional relationships;
- make decisions in line with organizational goals, leading to desired results, and will be responsible and accountable for results;
- create and sustain the organizational culture and environment needed to achieve objectives and results and recruit and retain a high performance operating team;
- oversee the implementation and monitoring of internal controls, reporting compliance obligations, sign off on CEO Certificates for the interim and annual financial statements and setting environmental protection policies; and
- such other duties and responsibilities as may be assigned or vested in him by the Board from time to time and which are consistent with the duties and responsibilities of a President and Chief Executive Officer.

The Executive agrees, during the continuance of his employment, to devote sufficient working time, services, skill and ability to such employment and to serve at all times with loyalty and honesty in the best interests of the Company. The Executive acknowledges that the position of President and CEO will involve significant travel for business development and for investor relations.

[Every page of the original document bears a stamped seal of Notary's Office 8, as well as its address, an illegible signature and a legend reading: Number Fifteen Thousand One Hundred and Ninety-Seven]

VOLUME SEVEN HUNDRED AND TWENTY-SIX/mbq*

NUMBER FIFTEEN THOUSAND ONE HUNDRED AND NINETY-SEVEN

In Durango, Capital of the State of the same name, on the eighteenth day of February, two thousand and twelve, I, **JESÚS BERMÚDEZ FERNÁNDEZ**, Notary Public Number EIGHT for the Judicial District of Durango, incumbent, hereby **FORMALIZE**: **THE MINING CONTRACT** entered into by and between **MINERALES DE AVINO, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE,** represented herein by **RAYMUNDO EDUARDO STACKPOLE ARMENDÁRIZ**, legal representative, hereinafter the **"CONCESSIONARY"**, on the one hand, and **COMPAÑÍA MINERA MEXICANA DE AVINO, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE,** represented herein by **JOSÉ CARLOS RODRÍGUEZ MORENO,** legal representative, hereinafter the **"THE MINING COMPANY"**, on the other, in accordance with the following recitals and clauses:

RECITALS:

I. The **CONCESSIONARY**, through its representative, declares that:

a) It is a mining company duly incorporated and validly existing in accordance with the laws of the United States of Mexico ("Mexico"), as evidenced in Public Document No. six dated January ten, nineteen sixty-nine, granted before Luis Bustamante Gurza, being at the time Notary Public No. Twenty-one for Torreon, District of Viesca, State of Coahuila de Zaragoza, registered under number 5 (five), page 31 (thirty-one), Volume 152 (one hundred and fifty-two), of the Registry of Commerce of the District of Viesca, on August eighteen, nineteen seventy.

b) In accordance with the terms set forth in Public Document No. 451 granted before Jacinto Faya Viezca, Notary Public No. 3 for Torreon, Coahuila, its legal representative has sufficient powers to bind it under the terms hereof, and that said powers have not been revoked, amended or restricted in any manner to date.

c) It is the sole legal holder of the rights under the concessions (the "Concessions") that cover the mining lots referred to in the document attached hereto as Exhibit "A", which is signed by the parties (the "Mining Lots"), all of which are located in the Municipality of Panuco de Coronado, Durango, Mexico.

d) The Concessions are free and clear all liens, encumbrances or restrictions of any type, including, but not limited to, expropriation, temporary use or easement.

e) The Concessions are valid in accordance with all obligations that apply to them in accordance with the Mining Act and its Regulations and the Federal Taxes Act.

f) It is unaware of there being any hindrance, claim, obligation or risk concerning the mining work on the Mining Lots.

g) It has not assumed any obligation with any third party that prevents it from performing this contract; and

h) It is interested in granting the mining rights under the Concessions to the Mining Company, under the terms hereof.

II. The Mining Company, through its representative, declares that:

GLORIA OROZCO MENDOZA
PERITO TRADUCTOR
CONSEJO DE LA JUDICATURA FEDERAL

a) It is a mining company duly incorporated and validly existing in accordance with the laws of Mexico, as evidenced in Public Document No. 32,071 (thirty-two thousand and seventy-one) dated September 7 (seven), 1970 (nineteen seventy), granted before Francisco Vázquez Pérez, being at the time Notary Public No. 74 (seventy-four) for the Federal District, entered in the Public Registry of Commerce of the Federal District in Book Three, Volume 714 (seven hundred and fourteen), page 429 (four hundred and twenty-nine), under number 404 (four hundred and four), and in the General Corporations Registry of the Public Registry of Mining, Volume XVI (sixteen), pages 116 (one hundred and sixteen) and 117 (one hundred and seventeen), reverse, number 93, and that it is currently registered with the Public Registry of Commerce of Durango, Durango, under electronic folio number 14221*1 (one four two two one asterisk one).

b) In accordance with the terms set forth in Public Document No. three thousand four hundred and ninety-eight, volume six hundred and seventy, dated June fourteen, two thousand and eleven, granted before the undersigned notary, its legal representative has sufficient powers to bind it under the terms hereof, and that said powers have not been revoked, amended or restricted in any manner to date.

c) It is interested in performing mining work on the Mining Lots in accordance with the provisions hereof.

IN VIEW OF THE FOREGOING, the Concessionary and the Mining Company (the "Parties") agree to submit themselves to the following:

CLAUSES:

ONE. Purpose. The Concessionary, MINERALES DE AVINO, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE, agrees with the Mining Company, COMPAÑÍA MINERA MEXICANA DE AVINO, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE, to execute the mining production contract on the mining lots referred to in the recitals section and in the following clause.

TWO. Mining Rights. As from the date of the signing of this document (the "Date of Signing") and throughout the effective term of this contract, the Concessionary hereby grants the Mining Company, which hereby acquires, the exclusive right to mine the Mining Lots referred to in Exhibit "A" hereto and that, signed by the parties, is part of this contract, in accordance with the terms and conditions hereof.

The Mining Lots and Concessions are specified below:

NAME	DEED NUMBER	SURFACE AREA
LA PLATOSA (MERGER OF MINING CONCESSIONS).	170585	98.8297
TERCER REY	171327	18.0000
UNIFICACIÓN PRIMER REY.	180282	62.8998
AVINO Y EMMA	170586	23.5130

The Parties agree that the mining rights hereby granted shall be exercised on the Mining Lots which are located on land, the occupation rights of which are legally held 100% (one hundred percent) by the Mining Company. In all cases, the Mining Company shall execute agreements with the owners of the land on which the Mining Lots are located so that it may use said land and, should it fail to obtain said land, either wholly or partially, this shall be considered as breach of its obligations hereunder, in which case it shall be liable to the Concessionary and this shall not in any manner decrease the Minimum Royalty (as defined hereinafter) regardless paying any damage and losses caused.

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THREE. Effective Term. The effective term of this contract shall be 15 (fifteen) years as from the Date of Signing, with an option to extend it for 5 (five) years at the request of the Mining Company and with the agreement of the Concessionary.

FOUR. Consideration for Mining. All throughout the mining development, namely 24 (twenty-four) months, the Mining Company undertakes to pay the Concessionary, or whomsoever it nominates, a consideration of $250,000 (two hundred and fifty thousand dollars, legal currency of the United States of America) in ordinary shares of the capital stock issued by Avino Silver & Gold Mines Ltd, which shall be transferred within a maximum of fifteen business days as from the date on which this contract is signed, at the offices of the Concessionary. Said shares shall be non-bearer and share certificates shall be delivered to the Concessionary or to the person or persons it nominates.

FIVE. Minimum Royalty. The Mining Company undertakes to produce a minimum of 15,000 (fifteen thousand) metric tons of minerals every month.

5.1.- If it is not possible to achieve the minimum monthly production volume stated herein, the Mining Company undertakes to pay a royalty equivalent to the monthly production of 15,000 (fifteen thousand) metric tons of minerals, based on the payment made the previous month (the "Minimum Royalty"). This calculation shall apply, provided that the price of copper and silver does not increase or decrease by more than 10% (ten percent). If any such increase or decrease is more than 10% (ten percent), the parties shall agree a new calculation, taking into account the changes in prices.

5.2.- In the event of force majeure, as established in Clause Nine hereof, the Mining Company agrees to pay the Minimum Royalty established above, as follows, per quarter:

- First Quarter: payment of 100% (one hundred percent) of the Minimum Royalty.
- Second Quarter: payment of 75% (seventy-five percent) of the Minimum Royalty.
- Third Quarter: payment of 50% (fifty percent) of the Minimum Royalty.
- Fourth Quarter: payment of 25% (twenty-five percent) of the Minimum Royalty.

If the cause of Force Majeure is still in place after one year of payments, payment shall recommence at a rate of 100% (one hundred percent) of the Minimum Royalty and shall continue being made as per the quarterly schedule.

5.3.- The Mining Company agrees that the cause of Force Majeure, as established in Clause Ten hereof and that results in payment of a Minimum Royalty, shall only apply for a period of 3 (three) consecutive years or 4 (four) non-consecutive years throughout the total effective term of this contract. If the Mining Company is unable to restore operating conditions after 3 (three) consecutive years or 4 (four) non-consecutive years of any suspension of operations less than the minimum established in point 5.1 (five point one), it must pay the Minimum Royalty to ensure that this contract remains in effect.

SIX. General Royalty. As consideration for the mining rights granted for the Mining Lots, the Mining Company shall pay the Concessionary a Net Smelting Return ("NSR") of 3.5% (three point five percent) as from when it commences commercial production of the minerals or metals obtained from the Mining Lots.

NSR means the actual income received from smelters, refiners or other purchasers for the sale of minerals, metals (including ingots or bars), mineral substances or concentrates derived from the

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Mining Lots, after deducting the following sums for said income, to the extent that they have not been deducted by the purchaser when calculating payment:

- Charges for smelting or refining;
- Sale cost;
- Analysis;
- Mixtures;
- Insurance on said minerals, metals or concentrates.
- Actual cost of transporting concentrates (including, but not limited to, freight, guarantees, tax on transactions, handling charges, port charges, demurrage, delay and transport incurred for said transport or during the course thereof) of ores, minerals, concentrates or other products derived from the Mining Lots, to a crushing facility or refinery, or an independent crushing facility, and then to the place of sale;
- Customs charges;
- Royalties, taxes or mining charges or other similar charges imposed by the State, and *ad valorem* duties and import and export duties and other taxes or charges on said minerals, metals or concentrates.

With regard to the list of deductions specified above, the Mining Company agrees to restrict said deductions to a maximum percentage of 15% of the NSR, on the understanding that the transport of concentrates from the mine will be within Mexico.

If the provisions of this contract require the Mining Company to deliver concentrates abroad, the total cost of transport shall be deducted before calculating 3.5% (three point five percent) of the NSR.

6.A. Payment of Royalties. Royalties shall be paid on mineral products sold, based on actual income received every calendar month, within 15 (fifteen) calendar days of the end of each month in which final settlements are received from the smelter. Each royalty payment shall include a statement of account that shows the calculation of the NSR.

The Mining Company shall pay the Concessionary royalties at its offices, as established in the notices clause. The Concessionary shall pay all income tax on the income it receives in accordance with this clause.

The Concessionary shall issue invoices in the name of the Mining Company for royalties received, which must meet all the requirements established by tax legislation.

The Concessionary shall charge value-added tax and transfer it to the Mining Company on each invoice issued, this being established expressly and independently.

6.B. Mixture/Segregation of Minerals. The Mining Company shall be entitled to mix minerals mined on the Mining Lots with minerals mined on other mining lots for treating, processing and smelting, provided that the mixture is only made after the Mining Company has taken measurements and samples of the mineral in accordance with metallurgical and mining practices, in order to establish the percentage of humidity and the gross recoverable content of metals, and provided that samples have been analyzed in order to establish the percentage of content of recoverable metal. The Mining Company must keep records that show the weight, humidity and gross recoverable content of metals

and minerals. Metal values must be distributed between the minerals in question and other minerals, based on the gross recoverable content of metal.

6.C. Verification of documents. Throughout the effective term of this contract, the Concessionary shall be entitled to verify, on its own account or through a third party that it nominates and pays, the amount of royalties, their calculation or payment, and all deductions made therefrom, analyses, volume of minerals mined, processed and sent for smelting, and to ensure that mining is performed on the Mining Lots in accordance with applicable legislation. The Concessionary may carry out these checks during working hours (any day of the year, except holydays in accordance with the Federal Labor Law) from 9:00 (nine) a.m. to 4:00 (four) p.m., without hindering the business of the Mining Company. In order to exercise this right, the Concessionary must provide the Mining Company a notice with at least 15 (fifteen) calendar days in advance of the date on which it wishes to carry out any such inspection. The Mining Company shall refund all costs and expenses for this, if it establishes that there is a deficit of 5% (five percent) or more on payment of royalties. Said refund and payment of any difference in royalties must be made within 30 (thirty) calendar days as from the date on which the Concessionary verifies any such difference.

SEVEN. Proof of Work Carried out. Throughout the effective term of this contract, the Mining Company must carry out sufficient mining work to prove to the mining authorities the work carried out and the investment made in the Mining Lots, in accordance with the Mining Act and its Regulations. Throughout the effective term of this contract, the Mining Company shall raise and submit reports for all work carried out on the Mining Lots. If it fails to do so, the Mining Company shall be liable for all damages and losses caused, irrespective of their nature.

Nevertheless, if the Mining Company may not submit work reports with due legal justification, it shall provide the Concessionary with all information and reports it needs so that the Concessionary may submit proof of work carried out. If it does not provide said information or reports, the Mining Company shall be liable for all damage and losses caused.

If the Mining Company decides to terminate this contract early, under Clause Twelve below, the Mining Company shall send the Concessionary all information and reports needed to prove performance of the work up to the date of early termination, so that the Concessionary may submit proof of work carried out on the Mining Lots.

EIGHT. Liability. The Parties agree that the Concessionary shall not be in any way liable in virtue of the work carried out by the Mining Company on the Mining Lots and the review, study and analysis of all technical and legal documents of the Concessions on the part of the Mining Company. As a consequence, bearing in mind that the Mining Company conducts its business in the mining-metallurgical industry, that it has its own material, human and financial resources to perform the abovementioned work and to answer for performance of its obligations as employer with regard to its employees and workers, the Mining Company shall assume all liability derived therefrom with regard to its employees and workers, specifically those obligations concerning housing, social security and financial and labor matters and, in general, any other obligation under the law as employer. In view of the foregoing, the Mining Company agrees to indemnify the Concessionary and hold it harmless at all

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times for any obligation and/or claim that may arise from its labor association and/or any legal provisions claimed or that may be claimed against it as a consequence of said labor association.

The Mining Company also agrees to notify the Concessionary promptly if it has any collective dispute with its employees and workers, and to inform it of the settlement of any such dispute. The Mining Company must submit proof to the Concessionary to the effect that it has met all its obligations with its workers and with third parties under the Federal Labor Law, the Social Security Act and the National Workers Housing Fund Act and, particularly, payment declarations and payment of social security dues (this being understood as the payment of employee-employer dues) to the Mexican Social Security Institute, the National Workers Housing Fund and contributions to the Retirement Savings System. ----

For the purpose of this contract and in accordance with the above paragraph, "prompt notice" shall mean a notice that must be sent by the Mining Company to the Concessionary concerning any collective dispute regarding the former, within a maximum of 15 (fifteen) business days as from the date of which it is notified of a strike of its employees if they are members of any union or, if they are not members of a union, as from the date on which work is suspended.

NINE. Mining Rights. Throughout the effective term of this contract, the Concessionary shall pay the mining rights for the Concessions. The Mining Company must refund the Concessionary payment for said rights within 15 (fifteen) business days as from the date on which it receives a valid copy of the receipt from the Concessionary.

TEN. Suspension of Performance of Obligations. The obligations of the Mining Company hereunder shall be suspended in the event of force majeure, including, but not limited to, war, riot, strike, failure to gain access to any of the Mining Lots for natural causes or human causes, and similar cases, no sales contract for concentrates or inability failure to sell said concentrates. In the event of suspension, the Parties shall take all measures possible to solve the matter that is preventing continuation of work on the Mining Lots, as soon as possible, provided that any suspension of obligations due to an event of Force Majeure shall result in the payment established in Clause Five.

ELEVEN. Purchase Option. The Concessionary hereby grants the Mining Company an option (the "Option") and the Mining Company acquires the exclusive and unilateral right to choose to acquire 100% (one hundred percent) of the rights of concession (the "Rights of Concession") that cover the Concessions. The Option shall be valid throughout the effective term established in Clause Three above ("Validity of the Option").

TWELVE. Price of Purchase. The price of purchase for 100% (one hundred percent) of the rights of the Concessions referred to in Exhibit "A" hereto is US$8,000,000.00 (eight million dollars, legal currency of the United States of America). If the Mining Company decides to exercise its Purchase Option during the effective term of the contract, it shall pay the Concessionary the total of the Price of Purchase upon formalization before a notary public of 100% (one hundred percent) of the rights on the Concessions.

The Concessionary shall sign and ratify the sale agreement before a notary public designated by the Mining Company, within 15 (fifteen) calendar days of the date on which the Concessionary receives notice of exercising of the Purchase Option.

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THIRTEEN. Early Termination. Provided that it has met its obligations hereunder, the Mining Company may terminate this contract early at any time by simply notifying the Concessionary in writing 90 (ninety) calendar days before the date on which early termination shall come into effect.

If this contract is terminated early, the Mining Company shall send the Concessionary a copy of all technical studies carried out on the Mining Lots, within 90 (ninety) calendar days of the date of termination, and shall apply for cancellation of the contract with the Public Registry of Mining. The Mining Company shall not assume any liability regarding the interpretation and evaluation of said technical studies.

FOURTEEN. Contingencies and/or Damage. The Mining Company shall be fully liable for any contingency and/or damage that may be caused in view of any action taken in accordance herewith and, specifically, for any transgression of applicable environmental legislation, provided that any transgression occurs after the date on which work in the Mining Lots commences.

FIFTEEN. Assignment of the Contract. Provided that it has met its obligations hereunder, the Mining Company may assign and/or transfer any of its rights and obligations hereunder to any third party, in which case it needs only notify the Concessionary in writing.

At the time of assignment and/or transfer, the Mining Company shall be fully released from its obligations hereunder, on the understanding that the assignee and/or acquiror shall assume all rights and obligations of the Mining Company.

The parties hereby evidence that the Concessionary has notified the Mining Company of its intention to transfer all rights and obligations under the Concessions to a Mexican mining company that shall soon be incorporated by Raymundo Stackpole Armendariz and members of his family, the shareholding of which shall be different to the current shareholding of the Concessionary.

In view of this, the Concessionary may assign and/or transfer its rights and obligations hereunder to said new corporation incorporated by Raymundo Stackpole Armendáriz and members of his family, provided that the assignment and/or transfer agreement to be signed by the Concessionary for its rights and obligations hereunder is first approved in writing by the Mining Company.

SIXTEEN. Expenses, Charges and Tax. All expenses and charges incurred for formalization of this contract or for formalization of the Sale Agreement shall be to the account of the Mining Company, as shall the cost of registration with the Public Registry of Mining. All tax on the profits or income received by the Concessionary shall be paid by the Concessionary in accordance with applicable tax legislation.

SEVENTEEN. Notices. All notices or other communications required under the contract shall be sent in writing either personally or by overnight courier service, or by facsimile, to the following addresses:

The Concessionary:

Minerales de Avino, Sociedad Anónima de Capital Variable.

Carretera Cuencamé-Torreon km 2 (two).

Cuencamé, Dgo.

Att'n: Raymundo Stackpole Armendáriz.

The Mining Company:

Compañía Minera Mexicana de Avino, Sociedad Anónima de Capital Variable.

Alonso de Pacheco 300 (three hundred).

Colonia Nueva Vizcaya.

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34080 Durango, Durango.

Att'n: José Carlos Rodríguez Moreno.

Cc: (without being considered as a notice) Bufete González Olguín, Sociedad Civil.

Bosque de Alisos 47 (forty-seven) B, Local A1-02 (one dash zero two), Oficina 30 (thirty).

Colonia Bosques de las Lomas.

05120, Mexico, Distrito, Federal.

Att'n: Juan Manuel González Olguín.

Either party may change its address by notifying the other party in writing. All notices shall be considered as sent on the date they are received if sent during normal business hours, and the following day if notices are sent outside working hours.

EIGHTEEN. Confidentiality. Except regarding registration of documents with the proper authorities, any information required by the authorities for, or any information that may be disclosed by the head office of the Mining Company to any stock market, all contract stipulations, documents and information shall be considered as confidential by the parties and their assignees and successors. The Concessionary must keep as confidential all knowledge and information concerning geological, mining and deposits of minerals and/or the mining potential of Mining Lots.

NINETEEN. Successors and Assignees. All provisions of this contract shall bind and benefit the successors and assignees of the Concessionary and the Mining Company.

TWENTY. Headings. The headings herein and all paragraphs and sub-paragraphs are included for reference purposes only and shall not affect construal of the contract.

TWENTY-ONE. Total Agreement. This contract constitutes the total agreement of the Parties and renders null and void any other previous contract or commitment concerning the subject matter hereof. The contract may only be amended by agreement in writing signed by each Party hereto.

TWENTY-TWO. Additional Obligations. Each party must perform the acts and raise the additional documents that may be needed to conduct the operations established herein.

TWENTY-THREE. Applicable Legislation and Courts. This contract shall be governed, construed and performed in accordance with the applicable laws of Mexico. If any dispute arises between the Parties concerning construal or performance of the contract, the Parties shall submit themselves to the jurisdiction of the common courts of Durango, Durango, and expressly waive any other jurisdiction that may correspond to them on account of their domicile or for any other reason.

This contract shall be executed in accordance with Article 78 (Seventy-eight) of the Code of Commerce, so it is of a commercial nature. If any dispute arises regarding any matter not specified herein, mining and commercial legislation apply and the Federal Civil Code shall supply any deficiency for any matter not stipulated in the above legislation.

LEGAL EXISTENCE AND REPRESENTATION

I.- RAYMUNDO EDUARDO STACKPOLE ARMENDÁRIZ evidences the legal existence of his principal and his powers to grant this contract, which he declares have not been revoked, amended or limited in any manner, with a copy of **PUBLIC DOCUMENT NUMBER FOUR HUNDRED AND FIFTY-ONE, VOLUME TWENTY-ONE,** transcribed as follows: In Torreon, Notarial District of Viesca, State of Coahuila de Zaragoza, on the 5th (fifth) day of November, 1998 (nineteen ninety-eight), JOSÉ ANTONIO SORIANO HERNÁNDEZ appeared before me, JACINTO FAYA VIESCA, Notary Public No. 3

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(three), for this District, in representation of MINERALES DE AVINO, S.A. DE C.V., and declared the following: I.- That the shareholders of MINERALES DE AVINO, S.A. DE C.V., agreed at the Ordinary General Shareholders' Meeting held on June 15 (fifteen), 1998 (nineteen ninety-eight), to adopt several resolutions, including, among others, the appointment of RAYMUNDO EDUARDO STACKPOLE ARMENDÁRIZ as the Attorney-in-Fact, Legal Representative and Manager of the corporation for lawsuits and Collections, Acts of Administration and Acts of Ownership, with powers of substitution, except for Acts of Ownership. The party appearing was appointed as the delegate of said meeting, as may be inferred from the minutes of the meeting, to appear before a notary public in order to formalize the minutes and, in particular, formalize the appointment made and the powers of attorney granted to RAYMUNDO EDUARDO STACKPOLE ARMENDÁRIZ as Legal Representative, Attorney-in-Fact and Manager of the Administrative Department... CLAUSES.- ONE.- JOSÉ ANTONIO SORIANO HERNÁNDEZ, as delegate of the General Shareholders' Meeting of MINERALES DE AVINO, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE, held on June 15 (fifteen), 1998 (nineteen ninety-eight) at 11:00 a.m., and in fulfillment of the resolutions passed at said meeting, **grants RAYMUNDO EDUARDO STACKPOLE ARMENDÁRIZ, a Broad General Power of Attorney for Lawsuits and Collections, Acts of Ownership and Acts of Administration,** with all general and special powers requiring special clause by law, under the terms of the first two paragraphs of Article 2448 (two thousand four hundred and forty-eight) of the Civil Code for the State of Coahuila, Article 2554 (two thousand five hundred and fifty-four), paragraphs one and two, of the Civil Code for the Federal District, and their correlatives articles of the civil codes of the states of Mexico, including the powers specified in Article 2481 (two thousand four hundred and eighty-one) and 2587 (two thousand five hundred and eighty-seven), respectively, of the same codes, as follows: I.- To abandon; II.- To challenge; III.- To submit to arbitration; IV.- To answer and formulate interrogatories; V.- To assign assets; VI.- To challenge; VII.- To receive payments; VIII.- For any other acts expressly determined by Law.- The following special powers are also granted: a) To file, process and abandon all types of lawsuits with the federal or state courts of any type, and writ of *amparo*[1], as well as to file criminal accusations and complaints, and assist the Attorney General until obtaining repair of any damage of criminal acts or omissions, grant pardon and abandon when the offense so merits.- b) To grant, extend and execute agreements.- c) He is appointed as Manager of the Administrative Department and may appear before all the labor authorities referred to in Article 523 (five hundred and twenty-three) of the Federal Labor Law as legal representative of the corporation, under the terms of Articles 11 (eleven), 692 (six hundred and ninety-two), Sub-section II (Two), and 876 (eight hundred and seventy-six) of the Federal Labor Law, the former of which reads as follows: "Administrative directors, managers and other persons who discharge executive or management functions in corporations or establishments shall be considered as representatives of the employer and, as such, they are bound under the association with their employees".- As Legal Representative of the principal, he may appear before the National Workers Housing Fund (INFONAVIT, acronym in Spanish), the Mexican Social Security Institute (IMSS, initials in Spanish) and the National Workers Consumption Fund (FONACOT, acronym in Spanish), to

[1] Translator's note: *Amparo*: Constitutional action alleging violation or rights by the government or a court of law. No equivalent in U.S. law.

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immediately deal with any matters put forward, either generally or particularly, even with the union and with the employers of the corporation, on the understanding that said powers shall be exercised with no limitation, even those requiring special clause.- Furthermore, the legal representative of the granting corporation is authorized to file and abandon writ of *amparo*, sign agreements, and to settle and submit to arbitration all employer-employee matters that arise between the corporations in which the principal has an interest and the union of workers, on an individual basis. In addition, with no limitation, the representative may attend any type of hearing, take decisions, answer and formulate interrogatories, accept conciliation, with the power to settle any labor dispute, sign all types of agreements, answer all types of lawsuits and offer reinstatements.- d) To appoint one or several legal representatives, directors, managers, assistant managers, agents and employees of the corporation and supervise the discharge of their functions, granting them the general or special powers that he deems appropriate, so as to establish their functions and their obligations, representation and remuneration, being able to remove them freely and cancel the powers of attorney conferred upon them.- e) To appoint the General or Special Attorneys-in-Fact of the corporation, without losing his powers, conferring upon them the general or special powers of attorney considered suitable, and being able to remove them freely and revoke the powers conferred upon them.- POWER OF ATTORNEY FOR ACTS OF OWNERSHIP (MAY NOT BE DELEGATED) so as to represent the Corporation with all powers of owner, thus being authorized with all necessary attributes to dispose of its assets, and all powers to take any action to defend them, encumber them and mortgage them, as this power is granted with no limitation, under the terms of Article 2554 (two thousand five hundred and fifty-four) of the Civil Code for the Federal District on common matters and for the entire country for federal jurisdiction, and its correlative Article 2448 (two thousand four hundred and forty-eight) of the Civil Code for the State of Coahuila.- POWER OF ATTORNEY TO GRANT, CONFER AND REVOKE POWERS OF ATTORNEY WITHIN HIS POWERS, EXCEPT FOR POWER OF OWNERSHIP, so that, in representation of the corporation, he may grant to third parties the powers of attorney granted to him herein, and revoke the same, with the broadness or restrictions he deems suitable, without losing the power he grants to third parties, the only exception being that under no circumstances may he delegate power of attorney for acts of ownership.- TWO.- JOSÉ ANTONIO SORIANO HERNÁNDEZ binds his principal, MINERALES DE AVINO, S.A. DE C.V., to abide by and observe the powers exercised by its Attorney-in-Fact and Legal Representative, RAYMUNDO EDUARDO STACKPOLE ARMENDÁRIZ, when performing the powers of attorney granted to him hereby...".

II.- JOSÉ CARLOS RODRÍGUEZ MORENO evidences the legal existence of his principal and his powers of attorney to grant this document, which he declares have not been revoked, amended or limited in any manner, with the following document: Public Document No. thirteen thousand four hundred and ninety-eight, volume six hundred and seventy, granted before the undersigned notary on June fourteen, two thousand eleven, which formalized the resolutions passed by the Board of Directors of **COMPAÑÍA MINERA MEXICANA DE AVINO, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE,** on March thirty, two thousand eleven, transcribed as follows: "...**RESOLUTIONS PASSED UNANIMOUSLY BY THE MEMBERS OF THE BOARD OF DIRECTORS OF COMPAÑÍA MINERA MEXICANA DE AVINO, S.A. DE C.V., OUTSIDE THE MEETING ON MARCH 30, 2011.-** These resolutions were passed in accordance with Article 143, final paragraph, of the General Corporations

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Act, and paragraph 3, Article Fifteen, of the bylaws of Compañía Minera Mexicana de Avino, S.A. de C.V. (the "Corporation"), by the unanimous vote of David Charles Wolfin, Louis Wolfin, Lisa Sharpy and Jose Carlos Rodriguez Moreno, who represent the entirety of the members of the board of directors of the Corporation.- **RESOLUTIONS.- ONE.** "With the restrictions established below, the following powers of attorney are granted to **JOSÉ CARLOS RODRÍGUEZ MORENO** to represent **COMPAÑÍA MINERA MEXICANA DE AVINO, S.A. DE C.V.: a) General power of attorney for lawsuits and collections,** which he may exercise to act for and on behalf of the Corporation with all types of individuals or corporate entities, and local, state or federal administrative, judicial and labor authorities and/or organizations, in accordance with paragraph one of article two thousand five hundred and fifty-four of the Civil Code for the Federal District or its correlative of the Federal Civil Code and of the civil codes for the states of Mexico, with all types of general powers of attorney, including those requiring special clause by law, in accordance with article two thousand five hundred and eighty-seven of the Civil Code for the Federal District and its correlative of the Federal Civil Code and of the civil codes for the states of Mexico, including, but not limited to, the power to abandon, settle, submit to arbitration, answer and formulate interrogatories in court, challenge, make and receive payments and assign assets, file and desist from writ of *amparo*, file and abandon criminal accusations and complaints, granting pardon, and assist to the Attorney General; **b) General power of attorney for acts of administration,** which he may exercise before all types of individuals or corporate entities, and local, state or federal administrative, judicial and labor authorities and/or organizations, in accordance with paragraph two of article two thousand five hundred and fifty-four of the Civil Code for the Federal District or its correlative of the Federal Civil Code and of the civil codes for the states of Mexico, therefore, he is authorized to, for and on behalf of the Corporation, take all types of action and conduct all types of procedures to deal with any matter of the Corporation with said authorities and/or entities, including, but not limited to, the Ministry of Finance and Public Credit, the Tax Administration Service, the Ministry of Finance and Administration of the State Government of Durango, the Ministry of Defense, the Mexican Social Security Institute, the National Workers Housing Fund, the National Workers Consumption Fund and the Retirement Savings System; **c) General power of attorney for acts of administration in labor matters**, which he may exercise with employer representation of the Corporation, under the terms of article eleven of the Federal Labor Law and, as such, is authorized to act with the unions with which collective bargaining agreements have been signed and for all purposes of collective disputes; he may act before workers personally considered and for all individual disputes and, in general, for all employer-employee related matters and before any of the labor and social security authorities referred to in article five hundred and twenty-three of the Federal Labor Law. He may also appear before State and Federal Conciliation and Arbitration Boards and, as a consequence, he shall bear employer representation for the purposes of articles eleven, forty-six and forty-seven, and the legal representation of the Corporation in order to evidence the capacity of the Corporation in and out of court, under the terms of article six hundred and ninety-two, sub-sections two and three. He may appear at the introduction of testimony, under the terms of articles seven hundred and eighty-seven and seven hundred and eighty-eight of the Federal Labor Law, with the power to answer and formulate interrogatories and to introduce testimony in all its parts. He may state addresses for receiving notices, under the terms of article eight hundred and sixty-six, appear with all

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legal representation at the hearing referred to in article eight hundred and seventy-three, at the stages of conciliation, complaint and defense, and the offering and admitting of evidence, under the terms of articles eight hundred and seventy-five, eight hundred and seventy-six, sub-sections one and six, eight hundred and seventy-seven, eight hundred and seventy-eight, eight hundred and seventy-nine and eight hundred and eighty. He may also appear at the audience for introduction of evidence, under the terms of articles eight hundred and seventy-three and eight hundred and seventy-four. He is also conferred power of attorney to propose conciliatory arrangements, conduct transactions, take all types of decisions, negotiate and sign labor contracts, and act as the representative of the Corporation as administrator, with regard to all types of labor lawsuits and proceedings filed with any authority. He may also perform acts to sign and rescind labor contracts, and appear before the Mexican Social Security Institute, the National Workers Housing Fund and the National Workers Consumption Fund; **d) General power of attorney for acts of ownership**, which he may exercise before all types of individuals or corporate entities, and federal, state or local administrative, judicial and labor authorities and organizations, in accordance with paragraph three of article two thousand five hundred and fifty-four of the Civil Code for the Federal District or its correlative of the Federal Civil Code and the civil codes for the states of Mexico, with the power to encumber the property of the corporation and to donate its property; **e)** Power of attorney to issue, endorse, guarantee or, in any other manner, subscribe or negotiate **negotiable instruments,** in accordance with Article 9 of the General Law of Negotiable Instruments and Credit Operations; **f)** Power of attorney to open and close bank accounts in the name of the Corporation, make deposits, draw checks therefrom and to appoint persons to make deposits and draw from said accounts, with the powers referred to in Article 9 of the General Law of Negotiable Instruments and Credit Operations; **g)** Power of attorney to substitute wholly or partially the powers and authority conferred above, reserving the exercising thereof and with the restrictions specified, and revoking powers of attorney granted. **RESTRICTION:** The powers of attorney referred to in points d) and e) above must be exercised by the attorney-in-fact with the written authorization or the signature of any of the following board members: David Charles Wolfin and/or Louis Wolfin."..."

PARTICULARS:

The parties appearing declare that their particulars are as follows:

A).- RAYMUNDO EDUARDO STACKPOLE ARMENDÁRIZ: Mexican by birth, of age, born in Cuencamé, Durango, on March 15 (fifteen), 1967 (nineteen sixty-seven); married; industrialist and residing at Calle Emilio Carranza esquina con Fco. Sarabia Colonia Centro, Cuencamé, Dgo., CP 35805, visiting this city, who, in accordance with article thirty-one of the Notary's Act for the State of Durango, identified himself with his voter's identity card issued by the Federal Electoral Institute, number 006921252981 (zero, zero, six, nine, two, one, two, five, two, nine, eight, one).

B).- JOSÉ CARLOS RODRIGUEZ MORENO: Mexican by birth, of age, married, geological engineer, born on November four, nineteen fifty-nine, residing at Avenida Jaralillo number two hundred and twenty-nine, Fraccionamiento Colinas del Saltito, Durango, who, in accordance with article thirty-one of the Notary's Act for the State of Durango, identified himself with his voter's identity card issued by the Federal Electoral Institute Number 0322021339584 (zero, three, two, two, zero, two, one, three, three, nine, five, eight, four).

GLORIA OROZCO MENDOZA
PERITO TRADUCTOR
CONSEJO DE LA JUDICATURA FEDERAL

I, THE NOTARY, CERTIFY:

I.- That the parties appearing identified themselves as provided in the particulars chapter hereof and that to my best knowledge they have full legal capacity to grant this document as I have no reason to believe otherwise.

II.- The parties made their declarations having been warned of the penalties for making false statements.

III.- All that referred to and inserted herein are true to the original documents and/or certified copies that I had before me and to which I refer.

IV.- The parties appearing declared that they shall register this document with the Public Registry of Mining, so the undersigned notary is hereby released from any responsibility for any failure to do so. --

V.- In compliance with article 34 (thirty-four) of the Foreign Investment Act, **JOSÉ CARLOS RODRÍGUEZ MORENO** evidenced to me that his principal was registered with the National Registry of Foreign Investment.

VI.- The parties appearing read this document for themselves and, having explained to them its value and legal consequences, they declared that they agreed with it and signed it before me and with me as of the date hereof, the date on which I definitively authorize this document as it meets all necessary requirements for its authorization.

MINERALES DE AVINO, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE, represented herein by **RAYMUNDO EDUARDO STACKPOLE ARMENDÁRIZ, legal representative.- Illegible signature.- COMPAÑÍA MINERA MEXICANA DE AVINO, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE,** represented herein by **JOSÉ CARLOS RODRÍGUEZ MORENO, legal representative.- Illegible signature.- "BEFORE ME".- JESÚS BERMÚDEZ FERNÁNDEZ, NOTARY PUBLIC NUMBER EIGHT.- illegible signature.- Stamp.**

DOCUMENTS ATTACHED

APPENDIX "A".- LIST OF MINING CAMPS OF THE DEEDS OF CONCESSION OF MINERALES DE AVINO, S.A. DE C.V.

THIS IS THE FIRST NOTARIAL COPY TAKEN FROM THE ORIGINAL, COMPRISING 13 (THIRTEEN) PAGES, DULY COMPARED, ISSUED TO COMPAÑÍA MINERA MEXICANA DE AVINO, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE, IN DURANGO, CAPITAL OF THE STATE OF THE SAME NAME, ON THE EIGHTEENTH DAY OF FEBRUARY, TWO THOUSAND AND TWELVE.

[A stamped seal reading:]
Jesùs Bermúdez Fernández
Notary Public No. 8
Durango, Durango

[Illegible signature]

JESÚS BERMÚDEZ FERNÁNDEZ
NOTARY PUBLIC NUMBER EIGHT

[A kinegram reading:]
Notary's College of the State of Durango

GLORIA OROZCO MENDOZA
PERITO TRADUCTOR
CONSEJO DE LA JUDICATURA FEDERAL

THIS DOCUMENT, APPENDIX "A", IS PART OF PUBLIC DOCUMENT NUMBER FIFTEEN THOUSAND ONE HUNDRED AND NINETY-SEVEN, VOLUME SEVEN HUNDRED AND TWENTY-SIX, GRANTED BEFORE ME, JESÚS BERMÚDEZ FERNÁNDEZ, NOTARY PUBLIC NUMBER EIGHT FOR THE FIRST JUDICIAL DISTRICT OF DURANGO, ON FEBRUARY EIGHTEEN, TWO THOUSAND AND TWELVE.

LIST OF MINING CAMPS OR MINING LOTS LEGALLY OWNED BY MINERALES DE AVINO, SA DE CV, AND THAT ARE SUBJECT MATTER OF THIS CONTRACT SIGNED WITH MINERA MEXICANA DE AVINO, SA DE CV.

NAME	DEED NUMBER	SURFACE AREA
LA PLATOSA (MERGER OF MINING CONCESSIONS).	170585	98.8297
TERCER REY	171327	18.0000
UNIFICACIÓN PRIMER REY.	180282	62.8998
AVINO Y EMMA	170586	23.5130

MINERALS DE AVINO, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE
represented herein by its legal representative:

[Illegible signature]
RAYMUNDO EDUARDO STACKPOLE ARMENDÁRIZ

COMPAÑIA MINERA MEXICANA DE AVINO, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE, represented herein by its legal representative:

[Illegible signature]
JOSÉ CARLOS RODRÍGUEZ MORENO

Lic. Gloria Orozco Mendoza. Perito Traductor autorizado por el Consejo de la Judicatura Federal del Poder Judicial de la Federación por acuerdo publicado en el Diario Oficial de la Federación de fecha 01 de diciembre de 2011, CERTIFICO que la anterior traducción al español contenida en 14 fojas útiles por su anverso es, a mi juicio, fiel y completa de su original en idioma inglés.

México, D.F., 27 de febrero de 2012.

GLORIA OROZCO MENDOZA
PERITO TRADUCTOR
CONSEJO DE LA JUDICATURA FEDERAL

AVINO SILVER & GOLD LTD.

STOCK OPTION PLAN

1. PURPOSE OF THE PLAN

The Company hereby establishes a stock option plan for directors, senior officers, Employees, Consultants, Consultant Company or Management Company Employees (as such terms are defined below) of the Company and its subsidiaries, or an Eligible Charitable Organization (collectively "**Eligible Persons**"), to be known as the "Stock Option Plan" (the "**Plan**"). The purpose of the Plan is to give to Eligible Persons, as additional compensation, the opportunity to participate in the success of the Company by granting to such individuals options, exercisable over periods of up to ten years, as determined by the board of directors of the Company, to buy shares of the Company at a price equal to the Market Price prevailing on the date the option is granted less applicable discount, if any, permitted by the policies of the Exchanges and approved by the Board.

2. DEFINITIONS

In this Plan, the following terms shall have the following meanings:

2.1 "**Associate**" means an "Associate" as defined in the TSX Policies.

2.2 "**Board**" means the Board of Directors of the Company.

2.3 "**Change of Control**" means the acquisition by any person or by any person and all Joint Actors, whether directly or indirectly, of voting securities (as defined in the *Securities Act*) of the Company, which, when added to all other voting securities of the Company at the time held by such person or by such person and a Joint Actor, totals for the first time not less than fifty percent (50%) of the outstanding voting securities of the Company or the votes attached to those securities are sufficient, if exercised, to elect a majority of the Board of Directors of the Company.

2.4 "**Company**" means Avino Silver & Gold Ltd. and its successors.

2.5 "**Consultant**" means a "Consultant" as defined in the TSX Policies.

2.6 "**Consultant Company**" means a "Consultant Company" as defined in the TSX Policies.

2.7 "**Disability**" means any disability with respect to an Optionee which the Board, in its sole and unfettered discretion, considers likely to prevent permanently the Optionee from:

(a) being employed or engaged by the Company, its subsidiaries or another employer, in a position the same as or similar to that in which he was last employed or engaged by the Company or its subsidiaries; or

(b) acting as a director or officer of the Company or its subsidiaries.

2.8 "**Discounted Market Price**" of Shares means, if the Shares are listed only on the TSX Venture Exchange, the Market Price less the maximum discount permitted under the TSX Policy applicable to Options.

2.9 **"Eligible Charitable Organization"** means an "Eligible Charitable Organization" as defined in the TSX Policies.

2.10 "**Eligible Persons**" has the meaning given to that term in section 1 hereof.

2.11 "**Employee**" means an "Employee" as defined in the TSX Policies.

2.12 "**Exchanges**" means the TSX Venture Exchange and, if applicable, any other stock exchange on which the Shares are listed.

2.13 "**Expiry Date**" means the date set by the Board under subsection 3.1 of the Plan, as the last date on which an Option may be exercised.

2.14 "**Grant Date**" means the date specified in the Option Agreement as the date on which an Option is granted.

2.15 "**Insider**" means an "Insider" as defined in the British Columbia *Securities Act*.

2.16 "**Investor Relations Activities**" means "Investor Relations Activities" as defined in the TSX Policies.

2.17 "**Joint Actor**" means a person acting "jointly or in concert with" another person as that phrase is interpreted in Multi-lateral Instrument 62-104, *Take-Over Bids and Issuer Bids*.

2.18 "**Management Company Employee**" means a "Management Company Employee" as defined in the TSX Policies.

2.19 "**Market Price**" of Shares at any Grant Date means the last closing price per Share on the trading day immediately preceding the day on which the Company announces the grant of the option or, if the grant is not announced, on the Grant Date, or if the Shares are not listed on any stock exchange, "Market Price" of Shares means the price per Share on the over-the-counter market determined by dividing the aggregate sale price of the Shares sold by the total number of such Shares so sold on the applicable market for the last day prior to the Grant Date.

2.20 "**Option**" means an option to purchase Shares granted pursuant to this Plan.

2.21 "**Option Agreement**" means an agreement, in the form attached hereto as Schedule "A", whereby the Company grants to an Optionee an Option.

2.22 "**Optionee**" means each of Eligible Persons granted an Option pursuant to this Plan and their heirs, executors and administrators.

2.23 "**Option Price**" means the price per Share specified in an Option Agreement, adjusted from time to time in accordance with the provisions of section 5.

2.24 "**Option Shares**" means the aggregate number of Shares which an Optionee may purchase under an Option.

2.25 "**Plan**" means this Stock Option Plan.

2.26 "**Shares**" means the common shares in the capital of the Company as constituted on the Grant Date provided that, in the event of any adjustment pursuant to section 5, "Shares" shall thereafter mean the shares or other property resulting from the events giving rise to the adjustment.

2.27 "**Securities Act**" means the *Securities Act*, R.S.B.C. 1996, c.418, as amended, as at the date hereof.

2.28 "**TSX Policies**" means the policies included in the TSX Venture Exchange Corporate Finance Manual and "TSX Policy" means any one of them.

2.29 "**Unissued Option Shares**" means the number of Shares, at a particular time, which have been reserved for issuance upon the exercise of an Option but which have not been issued, as adjusted from time to time in accordance with the provisions of section 5, such adjustments to be cumulative.

2.30 "**Vested**" means that an Option has become exercisable in respect of a number of Option Shares by the Optionee pursuant to the terms of the Option Agreement.

3. GRANT OF OPTIONS

3.1 Option Terms

The Board may from time to time authorize the issue of Options to Eligible Persons of the Company and its subsidiaries. The Option Price under each Option shall be not less than the Discounted Market Price on the Grant Date. The Expiry Date for each Option shall be set by the Board at the time of issue of the Option and shall not be more than ten years after the Grant Date. Options shall not be assignable (or transferable) by the Optionee.

3.2 Limits on Shares Issuable on Exercise of Options

The maximum number of Shares which may be issuable pursuant to options granted under the Plan shall be that number equal to 10% of the Company's issued share capital from time to time. The number of Shares reserved for issuance under the Plan and all of the Company's other previously established or proposed share compensation arrangements:

(a) in aggregate shall not exceed 10% of the total number of issued and outstanding shares on a non-diluted basis; and

(b) to any one Optionee within a 12 month period shall not exceed 5% of the total number of issued and outstanding shares on a non-diluted basis (unless otherwise approved by the disinterested shareholders of the Company).

The number of Shares which may be issuable under the Plan and all of the Company's other previously established or proposed share compensation arrangements, within a one-year period:

(a) to all Insiders shall not exceed 10% of the total number of issued and outstanding shares on the Grant Date a non-diluted basis;

(b) to any one Optionee, shall not exceed 5% of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis (unless otherwise approved by the disinterested shareholders of the Company);

(c) to any one Consultant shall not exceed 2% in the aggregate of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis; and

(d) to all Eligible Persons who undertake Investor Relations Activities shall not exceed 2% in the aggregate of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis, which Options are to be vested in stages over a one-year period and no more than one-quarter (1/4) of such Options may be vested in any three (3) month period.

3.3 Option Agreements

Each Option shall be confirmed by the execution of an Option Agreement. Each Optionee shall have the option to purchase from the Company the Option Shares at the time and in the manner set out in the Plan and in the Option Agreement applicable to that Optionee. For stock options to Employees, Consultants, Consultant Company or Management Company Employees, the Company is representing herein and in the applicable Option Agreement that the Optionee is a bona fide Employee, Consultant, Consultant Company or Management Company Employee, as the case may be, of the Company or its subsidiary. The execution of an Option Agreement shall constitute conclusive evidence that it has been completed in compliance with this Plan.

4. EXERCISE OF OPTION

4.1 When Options May be Exercised

Subject to subsections 4.3 and 4.4, an Option shall be granted as fully Vested on the Grant Date, and may be exercised to purchase any number of Shares up to the number of Unissued Option Shares at any time after the Grant Date, provided that this Plan has been previously approved by the shareholders of the Company, up to 4:00 p.m. local time on the Expiry Date and shall not be exercisable thereafter.

4.2 Manner of Exercise

The Option shall be exercisable by delivering to the Company a notice specifying the number of Shares in respect of which the Option is exercised together with payment in full of the Option Price for each such Share. Upon notice and payment there will be binding contract for the issue of the Shares in respect of which the Option is exercised, upon and subject to the provisions of the Plan. Delivery of the Optionee's cheque payable to the Company in the amount of the Option Price shall constitute payment of the Option Price unless the cheque is not honoured upon presentation in which case the Option shall not have been validly exercised.

4.3 Vesting of Option Shares

An Option shall be granted hereunder as full Vested, unless a vesting schedule is imposed by the Board as a condition of the grant on the Grant Date.

4.3 Termination of Employment

If an Optionee ceases to be an Eligible Person, his or her Option shall be exercisable as follows:

(a) Death or Disability

If the Optionee ceases to be an Eligible Person, due to his or her death or Disability or, in the case of an Optionee that is a company, the death or Disability of the person who provides management or consulting services to the Company or to any entity controlled by the Company, the Option then held by the Optionee shall be exercisable to acquire Vested Unissued Option Shares at any time up to but not after the earlier of:

(i) 365 days after the date of death or Disability; and

(ii) the Expiry Date.

(b) Termination For Cause

If the Optionee, or in the case of a Management Company Employee or a Consultant Company, the Optionee's employer, ceases to be an Eligible Person as a result of termination for cause, as that term is interpreted by the courts of the jurisdiction in which the Optionee, or, in the case of a Management Company Employee or a Consultant Company, of the Optionee's employer, is employed or engaged; any outstanding Option held by such Optionee on the date of such termination shall be cancelled as of that date.

(c) Early Retirement, Voluntary Resignation or Termination Other than For Cause

If the Optionee or, in the case of a Management Company Employee or a Consultant Company, the Optionee's employer, ceases to be an Eligible Person due to his or her retirement at the request of his or her employer earlier than the normal retirement date under the Company's retirement policy then in force, or due to his or her termination by the Company other than for cause, or due to his or her voluntary resignation, the Option then held by the Optionee shall be exercisable to acquire Vested Unissued Option Shares at any time up to but not after the earlier of the Expiry Date and the date which is 90 days after the Optionee or, in the case of a Management Company Employee or a Consultant Company, the Optionee's employer, ceases to be an Eligible Person.

4.4 Effect of a Take-Over Bid

If a *bona fide* offer (an "Offer") for Shares is made to the Optionee or to shareholders of the Company generally or to a class of shareholders which includes the Optionee, which Offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Company, within the meaning of subsection 1(1) of the *Securities Act*, the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of full particulars of the Offer, whereupon the Option Shares subject to such Option may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender the Option Shares received upon such exercise, pursuant to the Offer. However, if:

(a) the Offer is not completed within the time specified therein; or

(b) all of the Option Shares tendered by the Optionee pursuant to the Offer are not taken up or paid for by the offeror in respect thereof,

then the Option Shares received upon such exercise, or in the case of clause (b) above, the Option Shares that are not taken up and paid for, may be returned by the Optionee to the Company and reinstated as authorized but unissued Shares and with respect to such returned Option Shares, the Option shall be reinstated as if it had not been exercised. If any Option Shares are returned to the Company under this subsection 4.4, the Company shall immediately refund the exercise price to the Optionee for such Option Shares.

4.5 Acceleration of Expiry Date

If at any time when an Option granted under the Plan remains unexercised with respect to any Unissued Option Shares, an Offer is made by an offeror, the Directors may, upon notifying each Optionee of full particulars of the Offer, declare all Option Shares issuable upon the exercise of Options granted under the Plan, are Vested (subject to the proviso below), and declare that the Expiry Date for the exercise of all unexercised Options granted under the Plan is accelerated so that all Options will either be exercised or will expire prior to the date upon which Shares must be tendered pursuant to the Offer, PROVIDED THAT where an Option was granted to a consultant providing Investor Relations Activities, the Directors declaration that Option Shares issuable upon the exercise of such Options granted under the Plan be Vested with respect to such Option Shares, is subject to prior approval of the Exchanges. The Directors shall give each Optionee as much notice as possible of the acceleration of the Options under this section, except that not less than 5 business days and not more than 35 days notice is required.

4.6 Effect of a Change of Control

If a Change of Control occurs, all Option Shares subject to each outstanding Option may be exercised in whole or in part by the Optionee.

4.7 Exclusion From Severance Allowance, Retirement Allowance or Termination Settlement

If the Optionee, or, in the case of a Management Company Employee or a Consultant Company, the Optionee's employer, retires, resigns or is terminated from employment or engagement with the Company or any subsidiary of the Company, the loss or limitation, if any, by the cancellation of the right to purchase Option Shares under the Option Agreement shall not give rise to any right to damages and shall not be included in the calculation of nor form any part of any severance allowance, retiring allowance or termination settlement of any kind whatsoever in respect of such Optionee.

4.8 Shares Not Acquired or Exercised

Any Unissued Option Shares not acquired by an Optionee under an Option which has expired, and any Option Shares acquired by an Optionee under an Option when exercised, may be made the subject of a further Option granted pursuant to the provisions of the Plan.

5. ADJUSTMENT OF OPTION PRICE AND NUMBER OF OPTION SHARES

5.1 Share Reorganization

Whenever the Company issues Shares to all or substantially all holders of Shares by way of a stock dividend or other distribution, or subdivides all outstanding Shares into a greater number of Shares, or combines or consolidates all outstanding Shares into a lesser number of Shares (each of such events being herein called a "Share Reorganization") then effective immediately after the record date for such dividend or other distribution or the effective date of such subdivision, combination or consolidation, for each Option:

(a) the Option Price will be adjusted to a price per Share which is the product of:

(i) the Option Price in effect immediately before that effective date or record date; and

(ii) a fraction, the numerator of which is the total number of Shares outstanding on that effective date or record date before giving effect to the Share Reorganization, and the denominator of which is the total number of Shares that are or would be outstanding immediately after such effective date or record date after giving effect to the Share Reorganization; and

(b) the number of Unissued Option Shares will be adjusted by multiplying (i) the number of Unissued Option Shares immediately before such effective date or record date by (ii) a fraction which is the reciprocal of the fraction described in subparagraph (a)(ii).

5.2 Special Distribution

Subject to the prior approval of the Exchanges, whenever the Company issues by way of a dividend or otherwise distributes to all or substantially all holders of Shares:

(a) shares of the Company, other than the Shares;

(b) evidences of indebtedness;

(c) any cash or other assets, excluding cash dividends (other than cash dividends which the Board of Directors of the Company has determined to be outside the normal course); or

(d) rights, options or warrants,

then to the extent that such dividend or distribution does not constitute a Share Reorganization (any of such non-excluded events being herein called a "Special Distribution"), and effective immediately after the record date at which holders of Shares are determined for purposes of the Special Distribution, for each Option the Option Price will be reduced, and the number of Unissued Option Shares will be correspondingly increased, by such amount, if any, as is determined by the Board in its sole and unfettered discretion to be appropriate in order to properly reflect any diminution in value of the Option Shares as a result of such Special Distribution.

5.3 Corporate Organization

Whenever there is:

(a) a reclassification of outstanding Shares, a change of Shares into other shares or securities, or any other capital reorganization of the Company, other than as described in subsections 5.1 or 5.2;

(b) a consolidation, merger or amalgamation of the Company with or into another corporation resulting in a reclassification of outstanding Shares into other shares or securities or a change of Shares into other shares or securities; or

(c) a transaction whereby all or substantially all of the Company's undertaking and assets become the property of another corporation,

(any such event being herein called a "Corporate Reorganization") the Optionee will have an option to purchase (at the times, for the consideration, and subject to the terms and conditions set out in the Plan) and will accept on the exercise of such option, in lieu of the Unissued Option Shares which he would otherwise have been entitled to purchase, the kind and amount of shares or other securities or property that he would have been entitled to receive as a result of the Corporate Reorganization if, on the effective date thereof, he had been the holder of all Unissued Option Shares or if appropriate, as otherwise determined by the Directors.

5.4 Determination of Option Price and Number of Unissued Option Shares

If any questions arise at any time with respect to the Option Price or number of Unissued Option Shares deliverable upon exercise of an Option following a Share Reorganization, Special Distribution or Corporate Reorganization, such questions shall be conclusively determined by the Company's auditor, or, if they decline to so act, any other firm of Chartered Accountants in Vancouver, British Columbia, that the Directors may designate and who will have access to all appropriate records and such determination will be binding upon the Company and all Optionees.

5.5 Regulatory Approval

Any adjustment to the Option Price or the number of Unissued Option Shares purchasable under the Plan pursuant to the operation of any one of subsection 5.1, 5.2 or 5.3 is subject to the approval of the Exchanges and any other governmental authority having jurisdiction.

6. MISCELLANEOUS

6.1 Right to Employment

Neither this Plan nor any of the provisions hereof shall confer upon any Optionee any right with respect to employment or continued employment with the Company or any subsidiary of the Company or interfere in any way with the right of the Company or any subsidiary of the Company to terminate such employment.

6.2 Necessary Approvals

The Plan shall be effective only upon the approval of the shareholders of the Company given by way of an ordinary resolution. Any Options granted under this Plan prior to such approval shall only be exercised upon the receipt of such approval. Disinterested shareholder approval (as required by the Exchanges) will be obtained for any reduction in the exercise price of any Option granted under this Plan if the Optionee is an Insider of the Company at the time of the proposed amendment. The obligation of the Company to sell and deliver Shares in accordance with the Plan is subject to the approval of the Exchanges and any governmental authority having jurisdiction. If any Shares cannot be issued to any Optionee for any reason, including, without limitation, the failure to obtain such approval, then the obligation of the Company to issue such Shares shall terminate and any Option Price paid by an Optionee to the Company shall be immediately refunded to the Optionee by the Company.

6.3 Administration of the Plan

The Directors shall, without limitation, have full and final authority in their discretion, but subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations deemed necessary or advisable in respect of the Plan. Except as set forth in subsection 5.4, the interpretation and construction of any provision of the Plan by the Directors shall be final and conclusive. Administration of the Plan shall be the responsibility of the appropriate officers of the Company and all costs in respect thereof shall be paid by the Company.

6.4 Income Taxes

As a condition of and prior to participation of the Plan any Optionee shall on request authorize the Company in writing to withhold from any remuneration otherwise payable to him or her any amounts required by any taxing authority to be withheld for taxes of any kind as a consequence of his or her participation in the Plan.

6.5 Amendments to the Plan

The Directors may from time to time, subject to applicable law and to the prior approval, if required, of the Exchanges or any other regulatory body having authority over the Company or the Plan, suspend, terminate or discontinue the Plan at any time, or amend or revise the terms of the Plan or of any Option granted under the Plan and the Option Agreement relating thereto, provided that no such amendment, revision, suspension, termination or discontinuance shall in any manner adversely affect any option previously granted to an Optionee under the Plan without the consent of that Optionee. Any amendments to the Plan or options granted thereunder will be subject to the approval of the shareholders.

6.6 Form of Notice

A notice given to the Company shall be in writing, signed by the Optionee and delivered to the head business office of the Company.

6.7 No Representation or Warranty

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

6.8 Compliance with Applicable Law

If any provision of the Plan or any Option Agreement contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchanges having authority over the Company or the Plan, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

6.9 No Assignment

No Optionee may assign any of his or her rights under the Plan or any Option granted thereunder.

6.10 Rights of Optionees

An Optionee shall have no rights whatsoever as a shareholder of the Company in respect of any of the Unissued Option Shares (including, without limitation, voting rights or any right to receive dividends, warrants or rights under any rights offering).

6.11 Conflict

In the event of any conflict between the provisions of this Plan and an Option Agreement, the provisions of this Plan shall govern.

6.12 Governing Law

The Plan and each Option Agreement issued pursuant to the Plan shall be governed by the laws of the Province of British Columbia.

6.13 Time of Essence

Time is of the essence of this Plan and of each Option Agreement. No extension of time will be deemed to be or to operate as a waiver of the essentiality of time.

6.14 Entire Agreement

This Plan and the Option Agreement sets out the entire agreement between the Company and the Optionees relative to the subject matter hereof and supersedes all prior agreements, undertakings and understandings, whether oral or written.

Approved by the Board of Directors on May 18, 2012.

"David Wolfin"

David Wolfin, President

SCHEDULE "A"

AVINO SILVER & GOLD LTD.
STOCK OPTION PLAN

OPTION AGREEMENT

[Note: If the Option Price is less than the Market Price at the time of the grant then insert the following legend:] ***Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this agreement and any securities issued upon exercise thereof may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until ■ , 200■ [four months and one day after the date of grant].***

This Option Agreement is entered into between Avino Silver & Gold Ltd. (the "Company") and the Optionee named below pursuant to the Company Stock Option Plan (the "Plan"), a copy of which is attached hereto, and confirms that:

1. on■, 201■ (the "Grant Date");

2. ■ (the "Optionee");

3. was granted the option (the "Option") to purchase ■ Common Shares (the "Option Shares") of the Company;

4. for the price (the "Option Price") of $■ per share;

5. which shall be exercisable as fully vested from the Grant Date, unless the granting of this Option is to a consultant providing Investor Relations Activities in which case the Options will be exercisable in stages over a 12 month period with no more than ¼ of the options vesting in any three month period from the date of the grant in accordance with TSX Venture Exchange Policy;

6. When the Option is exercised and prior to the delivery of the Option Shares, the Company will forthwith calculate all applicable Canadian government withholdings and taxes of the Optionee in connection with the exercise, and the Optionee agrees to pay to the Company such withholdings and taxes, which will then be remitted by the Company to Canada Revenue Agency, and reflected on any annual statement of remuneration issued by the Company to the Optionee;

7. terminating on the■, 201■ (the "Expiry Date");

all on the terms and subject to the conditions set out in the Plan. For greater certainty, once Option Shares have been granted, they continue to be exercisable until the termination or cancellation thereof as provided in this Option Agreement and the Plan.

By signing this Option Agreement, the Optionee acknowledges that the Optionee has read and understands the Plan and agrees to the terms and conditions of the Plan and this Option Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Option Agreement as of the ■ day of ■, 201■.

AVINO SILVER & GOLD LTD.
Per:

OPTIONEE

Authorized Signatory

Adhesion Contract Registry No.: 0928426-002689/04-14215-1111
4336FF

FINANCE LEASE AGREEMENT ENTERED INTO BY AND BETWEEN: (I) CATERPILLAR CRÉDITO, S.A. DE C.V., SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE, E.N.R., HEREINAFTER CALLED "CATERPILLAR"; (II) THE PERSON(S) WHOSE NAME(S) APPEAR IN SUBPART (2) OF THE PREAMBLE OF THIS AGREEMENT, HEREINAFTER CALLED "LESSEE"; AND (III) THE PERSON(S) WHOSE NAME(S) APPEAR IN SUBPART (3) OF THE PREAMBLE OF THIS AGREEMENT, HEREINAFTER CALLED "JOINT OBLIGOR," PURSUANT TO THE FOLLOWING RECITALS AND CLAUSES:

PREAMBLE

(1) Details of **Caterpillar:**

a) It is a business corporation organized under Mexican law, as documented by notarial instrument number 1948 dated October 31, 1995 executed before civil law notary public number 218 in and for Mexico City, Federal District, José Luis Villavicencio Castañeda, registered in the Public Registry of Property and Commerce of Mexico City, Federal District under commercial folio number 204436 dated December 11, 1995, and its corporate domicile is in the city of Monterrey, Nuevo León.

b) Notarial instrument number 22,157 dated March 30, 2007 executed before civil law notary public number 123 of Monterrey, Nuevo León, Eduardo Manautou Ayala, registered in the Public Registry of Property and Commerce of Monterrey, Nuevo León under commercial folio number 86297*1 certifies the complete amendment of the corporation's articles of incorporation, including the change of corporation type from Special-Purpose Financial Institution to Multiple-Purpose Financial Institution.

c) To carry out Finance Lease transactions, as a Non-Regulated Multiple-Purpose Financial Institution, it does not require authorization from the Ministry of Treasury and Public Credit and is not subject to the oversight of the National Banking and Securities Commission. The foregoing is for the purposes of compliance with Article 87-J of the General Special-Purpose Financial Intermediaries and Activities Law.

d) Its domicile is: Oficinas en el Parque Torre 2, Boulevard Díaz Ordaz No. 140 Poniente, Piso 9, Colonia Santa María, Monterrey, Nuevo León, C.P. 64650.

e) Armando Alonso Rodríguez Chávez has full legal capacity and authority to execute this agreement on its behalf, binding it under the terms hereof, evidencing his capacity through notarial instrument number 22,450 dated May 16, 2007, executed before civil law notary public number 123 in and for Monterrey, Nuevo León, Eduardo Adolfo Manautou Ayala, registered in the Public Registry of Property and Commerce of Monterrey, Nuevo León, under commercial folio number 26297*1, dated June 13, 2007, and such authority has not been revoked or limited in any way.

f) It has the following Internet address: http://mxfinance.cat.com.

(2) Details of **Lessee:**

2.1) **COMPAÑIA MEXICANA DE AVINO SA DE CV**.

a) It is a business corporation organized under Mexican law, as documented by notarial instrument number **32071** dated **September 7th of 1968**, executed before civil law notary public number **74** in and for **CIUDAD DE MEXICO, DISTRITO FEDERAL**, Mr. **FRANCISCO VAZQUEZ PEREZ**, the first official transcript of which was registered in the Public Registry of Property and Commerce of **CIUDAD DE MEXICO, DISTRITO FEDERAL**, under number **4045**, of book number **3**, in section **COMERCE**.

b) Its domicile is: street and number: **ALONSO DE PACHECO EXT 300** , neighborhood: **NUEVA VIZCAYA**, **DURANGO**,**DURANGO**, postal code: **34080** and its Mexican Tax ID is **MMA800926DJ7**.

c) **JOSE CARLOS RODRIGUEZ MORENO** has full legal capacity and authority to execute this agreement on its behalf, binding it under the terms hereof, evidencing his capacity through notarial instrument number **13498** dated **June 14th 2011**, executed before civil law notary public number **8** in and for **DURANGO, DURANGO**, registered in the Public Registry of Property and Commerce of **DURANGO, DURANGO**, of Book number **14221*1**, , dated June 26th 2011, and such authority has not been revoked or limited in any way.

(4) **Assets**subject to the Lease:

EQUIPMENT: HYDRAULIC EXCAVATOR, MAKE: CATERPILLAR MODEL 320D , SERIAL No. FAL09803

Lessee agrees that **Caterpillar** will make the full payment to purchase the **Assets** subject to the Lease, to the company**:**

MAQUINARIA , S.A. DE C.V.

(5) Ordinary interest rate (annual)**:**

Fixed Rate: 1.75%

"Libor Rate" means the arithmetic average (rounded up to the closest 1/8th) of the rate at which Eurodollar deposits for a period and amount similar to the payment frequency and outstanding balance of principal of this agreement, respectively, in immediately available funds offered on the London Interbank market by the London headquarters of Barclays Bank, Bank of Tokyo, Bankers Trust and NatWest Bank (the reference banks) published on the Reuters Screen Libo Page (periodical showing the value of the rate on the aforementioned deposits) on the date of interest calculation. [*sic*]

Interest applicable to this agreement as stipulated in this subpart may not be collected in advance, except for overdue periods or amounts.

(6) Place and Method of Rent Payment:

a) Payment in United States Dollars: Deposit to the account 65020343677, Clabe 002580650203436776, at BANAMEX (Banco Nacional de Mexico) , in the city of MONTERREY, NUEVO LEON.

(7) CLAUSES THAT DO NOT APPLY TO THIS TRANSACTION AND ARE CANCELLED:

(8) CLAUSES AND CONDITIONS ADDED TO THIS AGREEMENT:

REPRESENTATIONS

I. Caterpillar represents, through its legal representative, that:

a) It is a business corporation, organized under Mexican law.

b) It is prepared to purchase, from the vendor, manufacturer or builder specified by**Lessee,** the asset(s) described in subpart **(4)** of the preamble to this agreement (hereinafter, **"Assets"**), for the purpose of granting the use and enjoyment thereof to **Lessee.**

c) It has registered this agreement in the Adhesion Contracts Registry with the National Commission for the Protection and Defense of Financial Service Users, in accordance with the Law for Transparency and Regulation of Financial Services, under the number specified at the top right of this instrument.

d) The general characteristics of this agreement are described on the Cover Page incorporated herewith.

II. Lessee represents, through its legal representative, that:

a) It has directly selected the **Assets** to be purchased by **Caterpillar,** for purposes of being granted the right to use and enjoy same under the terms hereof.

b) It agrees to receive the **Assets** under a finance lease, for which the purchase price will be the amount set out in Appendix A hereof, under the heading **"Purchase Price,"** and also to pay the amount established as rent or compensation, and any other applicable amounts.

c) It has the financial and material resources necessary and sufficient to meet its payment obligations and other obligations hereunder.

d) **Before our execution of this agreement, Caterpillar** has informed us of the content of same and of all the documents to be executed as appendices and promissory note, and the charges, fees and costs that will arise in the execution hereof.

e) It expressly authorizes **Caterpillar** to, through its authorized officers, conduct investigations on its credit history through any credit reporting companies it deems appropriate.

III. Joint Obligor represents, through its legal representative, that:

a) It wishes to be **Joint Obligor** with **Lessee,** to **Caterpillar,** with respect of each and every one of the obligations of Lessee assumed hereunder.

b) It has the financial and material resources necessary and sufficient to meet its payment obligations and other obligations hereunder.

c) Its corporate purpose includes the power to act as joint obligor, as well as to guarantee obligations of its own and of third parties.

As the parties are in agreement with the above representations, they execute this **Finance Lease** agreement pursuant to the following:

CLAUSES

ONE. PURPOSE. Caterpillar will purchase the **Assets** directly from the vendor, manufacturer or builder specified by **Lessee,** for the purpose of granting Lessee the use and enjoyment thereof, and Lessee shall accept and take the assets in such capacity.

This agreement will apply to any mechanism, spare, part or component used in a supplementary fashion or subsequently added to the **Assets.**

TWO. SELECTION AND DELIVERY OF ASSETS. Since **Lessee** has directly selected the vendor of the **Assets** and has authorized the terms, conditions and specifications of such **Assets**, identifying and describing same, **Caterpillar**, in accordance with Article 413 of the General Law of Negotiable Instruments and Credit Transactions ("**LGTOC**"), is not liable for any errors or omissions in the selection or description thereof, or with respect to the condition of same.

The physical delivery of the **Assets** will be performed directly by the vendor to **Lessee,** and Lessee agrees to receive same. The parties must deliver a receipt of the **Assets** and/or of the amounts specified in this clause, as appropriate.

All expenses arising in connection with the transportation, delivery and installation of the **Assets** shall be borne by **Lessee.** If **Lessee** refuses to receive the **Assets** for any reason, Lessee will reimburse **Caterpillar** for all amounts paid thereby in connection with such **Assets**, plus all interest accrued from the date on which such amounts were paid by **Caterpillar** until the date of reimbursement, with such interest calculated using the interest rate stipulated herein to set rent payments, without prejudice to **Caterpillar's** right to terminate this agreement early, adhering to the stipulations of Clause Twenty-Eight hereof.

Caterpillar will have no liability whatsoever for any loss, damage or delay in delivery of the **Assets.** The parties moreover agree that **Caterpillar** will not be liable for the physical or mechanical condition, or for the technical or operating conditions of the **Assets** or of any accessories that may be installed thereon, or, in the case of any modifications made to the **Assets** or their accessories; furthermore, **Caterpillar** will not be liable for any failures or defects of the **Assets** or their accessories. **Lessee** will assume the risk for the cases mentioned in this paragraph.

THREE. VALUE OF ASSETS IN DOLLARS. The parties agree that, in the event this agreement is in pesos and the **Assets** are billed by the vendor in U.S. dollars, they will be subject to the following: **(i)** If, because of appreciation of the peso, the value of the **Assets** proves to be lower than the stipulated amount, the difference will be applied, in **Lessee's** favor, to the first **Installment** of the **Total Rent** and listed on the account statement to be delivered to **Lessee**; or (ii) If, because of depreciation of the peso, the value of the Assets proves to be higher than the stipulated amount, the difference will be payable to Caterpillar, added to the first **Installment** of the **Total Rent** and listed on the account statement to be delivered to **Lessee**;

For purposes of this clause, the exchange rate used will be the FIX exchange rate determined by Banco de México and published on its website (www.banxico.org.mx) on the date on which **Caterpillar** makes payment to the vendor for the **Assets**, which, in accordance with applicable regulations, will be the same as that published in the Federal Official Gazette ("**DOF**") on the next business day.

FOUR. CO-LESSEES. In the event this agreement is executed by multiple persons in the capacity of **Lessee,** they agree to designate, from among them, the person specified in Appendix A hereof, under the heading **"Co-Lessee,"** to be the person who: **(i)** physically receives the **Assets** from the vendor; **(ii)** exercises any of the lease-end options; **(iii)** In the event that he exercises the lease-end purchase option, receives, in his name, the invoice for the Assets, **(iv)** receives the account statements referred to in Clause Thirty-Four hereof, and **(v)** receives, in his name, any invoices issued by **Caterpillar** for payment of the obligations hereunder.

Moreover, **Lessee** hereby instructs **Caterpillar** to perform the aforementioned indications, and it affirms that it reserves no right or legal action to be brought against Caterpillar for the performance of the instructions given to Caterpillar in this clause, freeing Caterpillar from any liability that could arise against it for performing said instructions, undertaking to hold Caterpillar harmless in the event of any dispute.

All persons signing this agreement and/or Appendix A as **Lessee** expressly and irrevocably assume joint and several liability to **Caterpillar** in the terms of Article 1987 and other applicable articles of the Federal Civil Code and its counterparts in the states of the Mexican Republic and the Federal District, as well as Article 4 of the General Law of Negotiable Instruments and Credit Transactions, in the understanding that all such persons are bound equally to **Caterpillar** to fulfill each and every one of the obligations in this Agreement, its Appendix A and any other instrument executed hereunder.

FIVE. TERM. The lease term is that set forth in Appendix A hereof, under the heading **"Mandatory Lease Term."** The term will be mandatory for the parties, beginning as of the date of execution hereof, provided obligations subsist for one or the other party. The parties furthermore agree that the term hereof may be extended through agreement of the parties.

SIX. RENT. As consideration for the use and enjoyment of the **Assets**, **Lessee** agrees to pay **Caterpillar** the amount set forth in Appendix A hereof, under the heading **"Total Rent,"** which is established as the lease price plus the respective VAT, composed of a fixed portion – the "**Invoice Price excluding VAT"** of the **Assets,** specified in Appendix A**,** and a variable portion pursuant to Clause Seven hereof; Appendix A may also specify a fixed rate, in which case the aforementioned rent variation will not apply.

Lessee must pay **Caterpillar** the **Total Rent** and respective VAT by payment on the date of execution hereof for the amount set forth in Appendix A under the heading "**Down Payment,**" and, subsequently, by the number of installments specified in Appendix A hereof, under the heading **"Installments,"** paid without exception on the dates and in the amounts listed in the **Payment Schedule**, contained in Appendix A hereof.

SEVEN. RENT VARIABILITY. The parties agree that the various rent payments specified in Appendix A hereof and in the **Payment Schedule**, respectively, under the heading **"Installments,"** will vary in accordance with the fluctuations in the **Interest Rate** specified in subpart **(5)** of the preamble of this agreement, plus the additional percentage point differential specified in Appendix A hereof, under the heading **"Percentage Points,"** or multiplied by the factor stipulated in Appendix A hereof**,** under the heading **"Factor,"** whichever proves to be higher, plus the appropriate Value Added Tax **(VAT)**.

The **Interest Rate** is variable and therefore will conform to the payment frequency established in Appendix A hereof, under the heading **"Payment Frequency,"** during each period in accordance with the variations in said rate.

The **Interest Rate** determined in accordance with this clause will be applied in each period as defined and specified in Appendix A hereof.

The interest that **Lessee** must pay to **Caterpillar** pursuant to this clause will be calculated on the basis of a 360-day year of 12 30-day months, according to the number of days elapsed in each interest period.

In the event that the **Interest Rate** is a fixed percentage, the variation specified in this clause will not apply.

EIGHT. DATE AND PLACE OF PAYMENT. Payments for rent and any other payment that **Lessee** must make to **Caterpillar** under this agreement and its Appendix A will be made on the dates specified in the **Payment Schedule** included in Appendix A of this agreement (understood as the cut-off dates), free and clear and without any deduction or withholding, and at the place specified in subpart **(6)** of the preamble hereof.

For purposes of this clause, a business day means a day on which banks (financial institutions) are open to the public for normal banking transactions in Mexico City and the United States of America.

If the day on which **Lessee** must make any payment to **Caterpillar** hereunder falls on a non-business day, **Lessee** must make the payment in question on the immediately following business day.

The parties hereto agree that any payments **Lessee** must make to **Caterpillar** will be credited on the date of the actual bank transfer or deposit by **Lessee** of the appropriate amount.

NINE. PARTIAL PAYMENTS. Lessee undertakes to make full payment of the lease price in accordance with the stipulations of this agreement, and particularly pursuant to the **Payment Schedule** contained in Appendix A hereof, in the understanding that the installments specified in relation thereto, under the heading **"Installments,"** are stipulated only as amounts determined for a period for the payment of **"Total Rent"**, pursuant to Article 408 of the **General Law of Negotiable Instruments and Credit Transactions (LGTOC)**.

Payments made by **Lessee** may be applied by **Caterpillar** in the following order: (i) Past due **Installments** with their respective **VAT**, (ii) **Installments** coming due in the month with their respective **VAT**, (iii) **Outstanding Balance**, with its respective **VAT**, (iv) Exchange rate difference, fees, expenses and insurance costs, all with the respective **VAT**, (v) **Default Interest** with the respective **VAT**.

The mere application by **Caterpillar** of payments made by **Lessee** may not signify that **Lessee** breaches its obligations hereunder, or generate additional costs for Lessee.

TEN. CURRENCY. The parties acknowledge the currency stipulated in Appendix A hereunder, under the heading **"Total Rent,"** as the currency in which **Lessee** takes on the obligation of paying the rent **Installments."**

If the currency stipulated is foreign, the obligation will be paid in the equivalent in Mexican pesos at the FIX exchange rate determined by Banco de México and published on its website (www.banxico.org.mx) on the date of payment, which, in accordance with applicable regulations, will be the same as that published in the Federal Official Gazette ("**DOF**") on the next business day.

Moreover, if the currency stipulated is foreign, the parties may agree to make an amendment so that the payment obligations taken on by **Lessee** under this agreement and Appendix A may be fulfilled in Mexican pesos. In the event of such a change, the parties agree that the exchange rate to recalculate the **Total Rent** and the **Installments** will be the FIX exchange rate determined by Banco de México and published on its website (www.banxico.org.mx) on the date on which the amendment agreement is executed; in the event of any discrepancy with the FIX exchange rate published in the **DOF** the next business day, the latter will prevail with all the associated de facto and de jure consequences. Notwithstanding the foregoing, if there is any change in the FIX exchange rate between the date of the amendment agreement and the date on which **Caterpillar** records and posts such amendment, the parties agree as follows: (i) if the change in the FIX exchange rate is an increase, **Lessee** must pay **Caterpillar** the difference on the payment date for the next installment; (ii) if the change in the FIX exchange rate is a decrease, **Caterpillar** shall refund the difference to **Lessee** on the payment date for the next installment.

ELEVEN. ADVANCE PAYMENTS AND PREPAYMENTS. The parties agree that **Lessee** may make advance payments and prepayments, provided the following requirements are met.

a) For prepayments:
(i) **Lessee** is current on each and every one of its obligations assumed under this agreement, its Appendix A and any other instrument executed related herewith; (ii) **Lessee** gives written notice to **Caterpillar** 20 days before the date on which it must pay the **Installment**, in accordance with the schedule of payments set forth in the **Payment Schedule,** informing Caterpillar of its intention to make a prepayment; **Lessee** may make the payment after the 20-day period has elapsed, and (iii) the intended prepayment is not less than the amount of the installment scheduled for the immediately following payment date, as established in the **Payment Schedule** contained in Appendix A hereof.

Prepayments will be applied to the outstanding balance, without generating any right, premium or bonus for **Lessee**.

Lessee will pay **Caterpillar** the prepayment fee specified in Appendix A hereof, under the heading **"Prepayment Fee,"** calculated on the total prepayment amount received.

b) For advance payments:
(i) **Lessee** must give written notice to **Caterpillar** 20 days before the date on which it intends to make the advance payments, informing **Caterpillar** of its intention to make advance payments for amounts not yet due, to be applied to the immediately following installment(s) in accordance with the **Payment Schedule**. (ii) When the payment amount is greater than that required for the **Installment**, **Lessee** must submit a signed letter with the following text: "The Client gives its authorization for the funds provided in excess of its due and payable obligations to not be applied to prepayment of principal, but rather used for advance payment of the immediately following Credit payments."

The aforementioned letter will not be necessary when payment is made for amounts not yet due or for amounts less than that of an **Installment**.

Lessee will not be entitled to any premium or bonus for advance payment.

TWELVE. DEPOSIT. Lessee undertakes to provide **Caterpillar** with the deposit amount specified in Appendix A hereof, under the heading **"Deposit Amount,"** in accordance with articles 332 and 334 of the Commercial Code.

In the event **Lessee** breaches any of its obligations under this agreement, its Appendix A and any instrument originating from same, **Lessee** gives its authorization to **Caterpillar** for the amount delivered in deposit to be applied as an installment towards outstanding amounts, pursuant to Article 338 of the Commercial Code.

If it is found that **Lessee** owes no outstanding amounts, Lessee gives its authorization to **Caterpillar** for the deposit amount to be applied to the last rent payment specified herein, or, as appropriate, the amount of the purchase option specified in Appendix A hereof, under the heading **"Purchase Option,"** at the option of **Lessee.**

In no event will the deposit in question generate interest for **Lessee.**

THIRTEEN. OPENING FEE. Lessee shall pay **Caterpillar** the opening fee specified in Appendix A of this contract, under the heading **"Opening Fee,"**on the date indicated in the preamble under the heading of **"Opening Fee Payment Date."**

FOURTEEN. DEFAULT INTEREST. In the event **Lessee** fails to make timely payment of any amount payable hereunder, it shall pay **Caterpillar** default interest on the amount of the outstanding obligations, calculated from the date on which payment became due until the date payment is made, on the basis of a 360-day year of 12 30-day months, in accordance with the number of days elapsed, without prejudice to **Caterpillar's** right to terminate this agreement early, subject to the stipulations of Clause Twenty-Eight hereof.

Default interest will be calculated at the following rates:

a) In the event the **Total Rent** is to be paid in United States Dollars, the applicable rate will be the greater of: **(i) 20% (TWENTY PERCENT)** per annum; **(ii)** the **Libor Rate** multiplied by 3 (THREE), with the **Libor Rate** understood as the arithmetic mean (rounded up to the closest 1/8th) of the rate at which Eurodollar deposits for a period and amount similar to the payment frequency and outstanding balance of principal of this agreement, respectively, in immediately available funds offered on the London Interbank market by the London headquarters of Barclays Bank, Bank of Tokyo, Bankers Trust and NatWest Bank (the reference banks) published on the Reuters Screen Libo Page on the date of interest calculation [*sic*], and **(iii)** the rate resulting from multiplying, by **2 (TWO)**, the Interest Rate specified in subpart **(5)** of the preamble hereof.

b) In the event the **Total Rent** is to be paid in Mexican Pesos, the applicable rate will be the greater of: **(i) 30% (THIRTY PERCENT)** per annum; **(ii)** the **TIIE Rate** multiplied by **3 (THREE),** or **(iii)** the rate obtained by multiplying, by **2.4 (TWO POINT FOUR),** the Interest Rate specified in subpart **(5)** of the preamble hereof. The **TIIE Rate** is understood as the Interbank Equilibrium Interest Rate determined on the basis of the 28-day market rates from various financial institutions (or the appropriate period used in its place in the event of non-business days), published on the date of interest calculation by Banco de México through the Federal Official Gazette. If the TIIE Rate is no longer available, this agreement will apply the rate replacing it published in the Federal Official Gazette and issued by Banco de México, or, in the absence thereof, that specified in Appendix A, under the heading **"Substituted Interest Rate."**

FIFTEEN. TAXES AND OTHER COSTS. Lessee will pay all costs, fees and taxes currently applicable, as well as those established in the future by any authority, in connection with the purchase, possession, holding, ownership and use of the leased **Assets**, or any other expenditure resulting from this agreement, whatever its nature, it being understood that **Caterpillar** shall not make any disbursement for any reason, except for the **Income Tax (ISR)** owed thereby. If **Caterpillar** pays any of the aforementioned amounts, **Lessee** must reimburse such amounts when requested to do so by **Caterpillar.**

SIXTEEN. ASSIGNMENT OF RIGHTS. Caterpillar is expressly authorized to assign, transfer or pledge the rights hereunder in part or in whole.

The parties agree that **Lessee** may not assign or transfer, in any way, the rights and obligations hereunder, unless expressly authorized to do so in writing by **Caterpillar.**

SEVENTEEN. PLACE OF USE, MAINTENANCE AND USE OF THE ASSETS. Lessee undertakes to use the **Assets** exclusively for the stipulated use in accordance with their nature and purpose, inside Mexico, pecifically at the place determined for such purposes in Appendix A hereof, under the heading **"Location of Leased Assets."**

In the event that **Lessee** needs to move the **Assets** to a place other than that stipulated in Appendix A hereof, it must request prior written authorization from **Caterpillar**, which shall answer such a request within 3 business days following the date on which it is received. Moreover, **Caterpillar** may request that **Lessee** inform it of the location of the **Assets,** and Lessee must fulfill such a request within a period not exceeding 3 business days following receipt of the request.

If **Caterpillar** discovers, by any means, that the Assets are not in the place stipulated under the heading **"Location of Leased Assets"** of Appendix A, it may terminate this agreement early, pursuant to Clause Twenty-Eight hereof.

Lessee undertakes to preserve the **Assets** in a condition allowing their normal use. The costs of any installation, operation, repair, services or maintenance that must be done to the **Assets** will be borne by **Lessee,** and therefore it undertakes to execute a **Contractual Service Agreement (CSA) and ensure same remains in force for the duration of this agreement** with an authorized **CATERPILLAR** distributor, so that repairs, services and maintenance conform to the terms contained in the warranty policy and the manufacturer's Maintenance Program, which are delivered along with the **Assets** or included in the manufacturer's Service Manual, as appropriate. **Lessee** shall keep a logbook of the maintenance services performed on the **Assets**.

Lessee will also bear the cost of purchasing manufacturer parts, spares and replacements necessary for the operation of the **Assets**. Any parts, spares and replacements installed in the **Assets** will be permanently incorporated into same and become the property of **Caterpillar**. **Lessee** may only use, for the **Assets**, original and new parts, spares and replacements from the manufacturer of the **Assets.**

Lessee may carry out maintenance on the **Assets** at service centers other than that of authorized **CATERPILLAR** distributers with prior written authorization from **Caterpillar**, provided **Lessee** uses new and original parts, spares and replacements from the manufacturer of the **Assets.** In the event **Lessee** carries out maintenance on the **Assets** at service centers other than authorized **Caterpillar** dealers without prior written authorization from **Caterpillar**, **Caterpillar** may terminate this agreement early in accordance with Clause Twenty-Eight hereof.

Lessee acknowledges that any liability arising from the use or possession of the **Assets**, whether criminal, administrative, civil or tax, is at its risk and expense.

EIGHTEEN. LICENSES, PERMITS AND REGISTRATIONS. Lessee is expressly required to obtain and maintain, on its own account, any licenses, permits, registrations and other documents required in accordance with the laws, regulations or circulars applicable thereto, in connection with the **Assets** as well as any use made thereof, and **Lessee** will be liable for any fine or penalty imposed by the appropriate authorities.

In the event of failure to comply with the provisions of the preceding paragraph for reasons attributable to **Lessee,** without prejudice to the power of **Caterpillar** to terminate this contract early as provided in clause Twenty-Eight hereof, Caterpillar may pay the aforementioned amounts for account and on instruction of **Lessee,** and **Lessee** must reimburse such amounts to **Caterpillar** upon Caterpillar's request to do so.

If **Lessee** fails to reimburse **Caterpillar** for the aforementioned amounts within 2 days after the date Caterpillar so requests, such amounts will accrue default interest at the rate specified in this agreement, calculated from the date **Caterpillar** has paid the respective amounts until the date repayment is made, without prejudice to **Caterpillar's** right to terminate this agreement early in accordance with the stipulations of Clause Twenty-Eight.

NINETEEN. INSPECTION. Caterpillar has the right to inspect the leased **Assets**, as often as it wishes, in business or working days and hours. **Lessee** furthermore undertakes to allow such inspections and, as appropriate, provide **Caterpillar** with whatever it needs to verify the proper use and preservation of the **Assets.**

TWENTY. LOSS OF OR DAMAGE TO THE ASSETS. The following are at **Lessee's risk:**

a) Latent faults or defects of the leased **Assets**, even where they impede the full or partial use of same. In the event that the existence of such latent faults or defects is discovered, **Caterpillar** may transfer to **Lessee,** where **Lessee** so requests, any rights Caterpillar may have against the vendor of the **Assets**, or, as appropriate, it shall grant Lessee the necessary powers to exercise such rights in representation of **Caterpillar**.
b) Total or partial loss of the **Assets**, even in the case of acts of God or force majeure, and
c) All risks, losses, theft, destruction or damage affecting the **Assets,** partially or wholly.
d) The risks of strict liability described in Article 1913 of the Federal Civil Code and its counterparts in the states of the Mexican Republic.

In the event that any of the aforementioned risks comes to pass, **Lessee** will not be released from payment of the rent under the terms of this agreement.

In the event of despoilment, disturbance or other acts of third parties affecting the use or enjoyment of the **Assets**, possession of same or their ownership, **Lessee** shall perform any and all possible actions to recover such **Assets** or defend the use or enjoyment thereof. Moreover, Lessee shall exercise all permissible defenses when any act or resolution from an authority may or does affect the possession, use or ownership of the **Assets**. In all cases, notice must be provided to **Caterpillar** immediately.

Notwithstanding the above, **Caterpillar** may directly exercise actions or defenses, without prejudice to the obligation imposed with respect thereto borne by **Lessee. Caterpillar** shall authorize, as appropriate, **Lessee** to exercise the actions or defenses where necessary under Article 414 of the LGTOC**.**

TWENTY-ONE. INSURANCE. The **Assets** must be insured or guaranteed in accordance with articles 417 and 418 of the LGTOC. **Caterpillar** is entitled to purchase the aforementioned insurance for account of **Lessee** through a legally authorized insurance company, covering all types of risks which **Caterpillar** deems necessary in accordance with the characteristics of the **Assets**.

Premiums and costs incurred in obtaining and renewing insurance for the **Assets** must be paid by **Lessee** within 3 business days after the date on which **Caterpillar** notifies **Lessee** of same. The parties agree that failure to make timely payment of the foregoing will result in default interest at the rate stipulated in this agreement.

The insurance policy purchased for such purposes will specify **Caterpillar** as primary irrevocable beneficiary and will remain in the possession of **Caterpillar**. This policy will remain in effect for the duration of this agreement; or until **Caterpillar** recovers physical possession of the **Assets**, where appropriate; or until Lessee has complied with each and every one of its payment obligations under this agreement and its Appendix A. The party that receives the terms and conditions of the aforementioned policy from the insurance company must provide a copy thereof to the other party.

In the event of irreparable damage to the **Assets** preventing their normal use or where they are stolen and not recovered and the indemnity paid by insurance companies does not fully cover: **(i)** the outstanding balance of the **Total Rent** stipulated; **(ii) Caterpillar's** obligations as owner of the **Assets; (iii)** the amount of the purchase option stipulated herein; and **(iv)** all other financial charges generated, **Lessee** is obliged to pay **Caterpillar** the resulting differences, terminating the lease of said **Assets. Lessee** agrees to pay insurance companies any amount required as deductible on account of damage to the **Assets.**

For any personal or property damage caused to third parties through the use, operation and temporary enjoyment of the **Assets**, **Lessee** will be liable for payment of all necessary amounts to compensate the injured parties, cover the repair costs for the **Assets** and any other liability that may apply to **Caterpillar** for such losses.

TWENTY-TWO. LIABILITY. Lessee agrees to hold **Caterpillar** harmless from and against any legal action or claim arising from or in connection with damage caused by or with the **Assets,** as well as to cover all expenses, including attorney fees, related to such actions or claims and immediately reimburse, as appropriate, any amount disbursed by **Caterpillar** in connection with such actions or claims.

TWENTY-THREE. LABOR DISPUTES. In the event of any worker-employer dispute of an individual or collective nature between **Lessee** and its employees, it is understood that the **Assets** hereunder, since they are owned by **Caterpillar,** may not be attached nor be subject to invasion or taken or given as security by **Lessee's** employees for the compensation Lessee owes them, as is the case with any interest of **Caterpillar** hereunder.

TWENTY-FOUR. AFFIRMATIVE COVENANTS. FINANCIAL STATEMENTS. For the duration of this agreement, **Caterpillar** reserves the right to request from **Lessee** , by telephone, in writing or by any electronic means, the delivery of: **(i)** internal quarterly financial statements, **(ii)** annual financial statements audited by independent public accountants, and **(iii)** any other information and documentation **Caterpillar** deems necessary.

Lessee undertakes to provide the above information to **Caterpillar** within 3 calendar days of the request.

TWENTY-FIVE. NEGATIVE COVENANTS. Lessee agrees not to encumber or pledge the **Assets** hereunder in whole or in part for the duration of the lease.

Moreover, **Lessee** undertakes not to sublease the leased **Assets** without prior written authorization from **Caterpillar.**

TWENTY-SIX. AGREEMENT-END OPTIONS. At the end of the mandatory term hereof, **Caterpillar** shall give **Lessee** the choice of one of the following options:

a) Purchase of the **Assets** at a price under its purchase value, which is specified in Appendix A hereof under the heading **"Purchase Option."**
b) An extension of the term to continue the use and temporary enjoyment of the **Assets** for the period specified in Appendix A hereof under the heading **"Extension Term,"** during which the rent payments will be those set out in Appendix A under the heading **"Extension Rent,"** and these will be lower than the installments paid by **Lessee** to **Caterpillar** during the original term.
c) Receiving a share of the proceeds from the sale of the **Assets** to a third party, in which case its share will be that set out in Appendix A of this agreement, under the heading **"Share of Proceeds from Sale."**

Lessee will inform **Caterpillar** of the option it chooses in writing at least 90 days prior to the expiration of this agreement. If **Lessee** does not specify the chosen option, both parties will understand that **Lessee** accepts the aforementioned option a).

All taxes, fees, charges or costs of any kind incurred by reason of exercising option a) above will be exclusively borne by **Lessee.**

Caterpillar's obligation in the terms of this clause will be subject to **Lessee** being current on each and every one of its obligations under this agreement and its appendices.

Lessee will be liable for damages for breach in choosing the agreement-end option.

Caterpillar may not object to the aforementioned option being carried out, except where **Lessee** is in breach of any of its payment obligations contained in this agreement and its Appendix A.

TWENTY-SEVEN. EARLY TERMINATION OF LEASE. The parties may terminate this agreement early by mutual agreement. In such a case, they must execute the appropriate termination agreement in which they will stipulate the manner in which all outstanding obligations are to be fulfilled.

TWENTY-EIGHT. CAUSES OF DEFAULT AND EARLY TERMINATION. The parties agree that **Caterpillar** may terminate the lease hereunder early without any court order in the following cases:

a) For delay and/or failure to make timely payment of any rent **Installments** or any other amount to be paid by **Lessee** under this agreement and its appendices.

b) For **Lessee's** nonfulfillment of tax obligations or failure to make the proper contribution payments to the Mexican Social Security Institute, unless such payments are legally contested and an adequate reserve fund is established.

c) For failure of **Lessee** to inform **Caterpillar** immediately of any situation that may physically or legally affect the **Assets**.

d) For attachment of the **Assets**, regardless of the cause thereof.

e) For breach of any obligation hereunder.

f) For insolvency or bankruptcy of **Lessee.**

g) In the event of individual or collective workers' claims against **Lessee** that may affect the possession, proper operation or preservation of the **Assets.**

h) In the event **Lessee** employs the **Assets** for any use or purpose other than appropriate normal use.

i) In the event **Lessee** foregoes performing, on its own account, at its own expense and in a timely fashion, any repairs or maintenance services necessary for the **Assets** to remain in perfect working condition, with the normal wear and tear from use and the passage of time.

j) In the event **Lessee** foregoes insuring and maintaining the insurance on the **Assets** in the terms specified in the Insurance clause herein.

k) In the event that **Lessee** moves the **Assets** to a place other than that specified in Appendix A, under the heading **"Location of the Leased Assets"** or subleases same without prior written consent from **Caterpillar.**

l) In the event **Lessee** refuses to allow **Caterpillar** to inspect the **Assets** and to provide information on their location.

The legal consequences of early termination of this agreement for any of the above reasons will be: (i) dissolution of the contractual relationship; (ii) the obligation of **Lessee** to return the **Assets** to **Caterpillar** immediately upon notice of early termination; (iii) the obligation of **Lessee** to immediately pay **Caterpillar** the amount set forth in Appendix A of this contract under the heading **"Total Rent"** plus default interest and any other ancillary charges generated until payment is made, and pay the contractual penalty specified in Appendix A hereof under the heading **"Contractual Penalty."**

In the event **Lessee** does not return the **Assets** immediately upon the notice of early termination, it shall pay **Caterpillar** the contractual penalty specified in Appendix A under the heading **"Contractual Penalty,"** without prejudice to the penalty applicable to breach of trust provided for in Article 229 of the Criminal Code of Mexico City, Federal District and its counterparts in the criminal codes of the states of the Mexican Republic. Upon return of the **Assets,** the parties agree that **Caterpillar** may, if it so desires, sell the **Assets** to third parties.

TWENTY-NINE. CANCELLATION OF AGREEMENT. Caterpillar and **Lessee** agree that Lessee may request cancellation of this Agreement within 10 business days after execution hereof, without any liability to same, provided the **Assets have not yet been purchased.**

Independently from the aforementioned request, the parties agree that in any other case in which **Lessee** requests the cancellation of this agreement, the parties shall be subject to the following: (i) **Lessee** shall submit a letter to the **SPECIALIZED UNIT** requesting cancellation of the agreement**; (ii) Caterpillar** must provide **Lessee** with a cancellation code; (iii) In the event **Lessee** requests termination of the agreement and there is no debt or outstanding amount owed thereby, **Caterpillar** will terminate the agreement no later than the business day following that on which such a request is received. In the event there are outstanding debts, **Caterpillar** will inform **Lessee** on the business day following receipt of the aforementioned request of the amount of the outstanding balance arising from the obligations hereunder, making such notice available to **Lessee** at the domicile of the **SPECIALIZED UNIT** within five working days of receipt of the termination request; and (iv) **Caterpillar** must, as appropriate, make available to the **Lessee,** at the aforementioned address, the balance as of the date of termination of the transaction.

In the event **Lessee** cancels this agreement, it must pay **Caterpillar** all debts it owes, on the date of cancellation hereof.

After the foregoing, upon **Lessee** having paid each and every one of its obligations, the legal relationship will be terminated and **Caterpillar** will provide to **Lessee**, within 10 (ten) business days following payment of such obligations, a certification of termination of the contractual relationship and non-existence of debts arising therefrom.

In the event that **Lessee** decides to cancel this agreement as provided in the second paragraph of this clause, Lessee must pay the purchase price of the **Assets**, financial charges and any other ancillary charges stipulated herein, in accordance with Article 408 of the General Law of Negotiable Instruments and Credit Transactions.

THIRTY. JOINT OBLIGOR. The persons specified in subpart **(3)** of the preamble to this agreement appear herein in their capacity as **Joint Obligor** of **Lessee**, assuming such capacity with respect to **Caterpillar,** signing this agreement, its Appendix A, and any document arising therefrom, to establish themselves as **Joint Obligor** of Lessee, as per the terms of Article 1987 and other applicable articles of the Federal Civil Code as well as Article 4 of the General Law of Negotiable Instruments and Credit Transactions, and, therefore, assume all obligations and compensation arising hereunder, undertaking to fulfill same in their entirety.

Joint Obligor further agrees to remain jointly and severally liable in accordance herewith even where **Caterpillar's** rights hereunder are wholly or partially assigned.

THIRTY-ONE. AGREEMENT COSTS AND LATE PAYMENT PENALTY. Lessee hereby undertakes to pay **Caterpillar** all costs in connection with drawing up this agreement and with its registration, including legal costs, on the date indicated in Appendix A hereof, under the heading of **"Agreement Costs Payment Date."**

Furthermore, **Lessee** shall pay **Caterpillar** the monthly amount specified in Appendix A hereof, under the heading **"Late Payment Penalty,"** for each default or late payment of: **(i)** the rent for the month in question; **(ii)** the insurance for the year in question, in accordance with the stipulations of Clause Twenty-One hereof; and **(iii)** any other item for the month or year in question.

THIRTY-TWO. ENFORCEMENT EXPENSES. Lessee undertakes to pay **Caterpillar** all expenses, costs, fees and any other expenditures that **Caterpillar** has or will incur in connection with bringing any kind of action or claim to which it is entitled against **Lessee** (including but not limited to judicial and extrajudicial collection costs, attorney fees, court costs, other fees, etc.), as well as with any proceedings of any nature against **Lessee**, in response to **Lessee's** breach of any of its obligations under this Agreement and/or, where applicable, in accordance with any instrument executed in connection with, in relation to, or arising from same.

THIRTY-THREE. AUTHORIZATION TO SELL THE ASSETS. Caterpillar and **Lessee** agree that, in the event **Lessee** breaches any of its obligations stipulated herein and voluntarily returns the **Assets** to **Caterpillar**, **Caterpillar** may dispose of such **Assets**, and **Lessee** hereby gives its consent for **Caterpillar** to sell same.

THIRTY-FOUR. COMMERCIAL EXECUTORY INSTRUMENT. In the terms of Article 87-F of the General Law on Special-Purpose Financial Intermediaries and Activities, this agreement, together with the account statement certification by **Caterpillar's** accountant, is a commercial executory instrument and requires no authentication of signature or any other formality.

The account statement shall include the identification details of this agreement, the amounts determined for rent; past-due rent; rent yet to come due; default interest accrued; the interest rate applicable to default interest, the amounts of ancillary charges incurred, as appropriate, payments made by **Lessee**, and any other applicable statutory requirements.

THIRTY-FIVE. AMENDMENTS. The parties hereto expressly agree that in the event **Lessee** seeks to make any amendment to this agreement it must submit a letter to the **Caterpillar** branch or office where it opened same, and **Lessee** must specify in said letter the desired changes to the agreement. **Caterpillar**, in turn, will have 5 calendar days to respond as to whether it accepts the amendments requested by **Lessee,** and, as appropriate, whether they must be adapted to the Appendix and respective promissory notes.

In the event **Caterpillar** requests the amendment of the agreement, the appendix and respective promissory notes, it will have 30 calendar days prior to the entry into force thereof to notify **Lessee** of the proposed amendments by notice included in the appropriate account statement. The notice must clearly specify the date on which the amendments will take effect.

In the event that **Lessee** disagrees with the amendments proposed by **Caterpillar**, it may request termination of the agreement up to 30 days after the entry into force of such amendments, without incurring any liability or charges, which shall be so provided in the agreement itself, where Lessee must pay, as appropriate, all debts incurred as of the date on which it requests termination of the transaction or service in question. The foregoing is with the exception of changes made to the account statements.

If the period specified in the preceding paragraph elapses without **Caterpillar** having received any communication from **Lessee,** the amendments to the agreement will be considered accepted.

The parties agree that, in the event the fees established in this agreement and its Appendix A are increased or new fees are set, **Caterpillar** must inform **Lessee** at least 30 calendar days prior to the date on which the fee changes enter into effect, in accordance with Article 7 of the Law for Transparency and Regulation of Financial Services.

The parties furthermore agree that the fees and Interest Rate stipulated in this Agreement and its Appendix A, may be modified only in the case of restructuring and with the prior consent of Lessee.

THIRTY-SIX. CLAUSE HEADINGS. The headings for each clause of this agreement are solely for reference and ease of use, and therefore they will have no impact on the legal interpretation thereof.

THIRTY-SEVEN. ADDRESSES AND NOTICES. For the purposes of this agreement, the parties specify their respective addresses as those listed in subparts **(1), (2)** and **(3)** of the preamble hereof.

Any notices or notifications to be made by the parties hereunder shall be in writing and delivered or sent to each of the parties at their address or any other address previously designated by written notice given to the other party. Notices and communications will be effective if given in writing, by telegram, certified mail or any other means agreed upon by the parties at the time of delivery, likewise if sent by fax or other electronic means, upon receipt of confirmation by such means.

THIRTY-EIGHT. ACCOUNT STATEMENTS. Lessee may obtain the details of the outstanding balance of the amounts owed under this agreement in Appendix A which is executed hereunder, as well as any debits and credits made by **Caterpillar** (details and figures thereof included therein will be purely informative) in the Account Statements sent by **Caterpillar** electronically or to the physical address of **Lessee** within 10 business days after the end of each monthly period for the duration of this agreement, and **Lessee** will have 5 calendar days to challenge any statement, counted from the date on which **Lessee** receives same.

In the event **Lessee** does not receive any of the account statements for any reason, it may request the missing statement from **Caterpillar's SPECIALIZED UNIT** indicated in Clause Forty.

Not receiving the account statement does not relieve **Lessee** from the obligation to fulfill its payment obligations hereunder.

THIRTY-NINE. LAWS AND COURTS. This agreement shall be construed in accordance with the applicable provisions of the General Special-Purpose Financial Intermediaries and Activities Law, the commercial laws of the United Mexican States, customary commercial practice and the Federal Civil Code and its counterparts in the states of the Mexican Republic, in that order. In the event of dispute regarding the interpretation, fulfillment and enforcement hereof, the parties hereby expressly and unconditionally submit to the jurisdiction of the courts in Mexico City, Federal District or Monterrey, Nuevo León, or the city and state where **Lessee** is domiciled, at the option of the petitioner/plaintiff, waiving any other jurisdiction that may otherwise be applicable by reason of present or future domicile.

In the event **Caterpillar** brings legal action against **Lessee** for the enforcement of payment obligations, recovery of the **Assets** leased, or the termination of this agreement, it will suffice for **Caterpillar** to present, as the documents forming the basis for such action, the original or a certified copy of this agreement and the account statement certified by **Caterpillar's** accountant.

FORTY. INFORMATION FOR LESSEE.

Requests, inquiries, objections and complaints relating to the transaction or service under contract shall be submitted and followed up on through the means described in Appendix A of this agreement under the heading "**Specialized User Assistance Unit,"** and same shall be submitted in writing and duly signed by **Lessee**, specifying the name of the Lessee, the reference number of this agreement, a brief explanation of the facts, and the request to **Caterpillar.** Such letter must be submitted along with a copy of the submitter's voter registration card or official ID and a copy of the documents relating to the request, inquiry, request for clarification, claim, objection or complaint in question.

Requests, inquiries, requests for clarification, claims, objections and complaints relating to the lease hereunder made by **Lessee** must be submitted on business days and during working hours, from 9:00 a.m. to 2:00 p.m.

Lessee will have a period of 5 business days, counted from the cut-off date, to submit requests and inquiries. **Caterpillar** shall issue a written response to **Lessee** within 5 business days from the date of receipt of the request or inquiry. With respect to requests for clarification, objections and complaints, **Lessee** may submit such requests for clarification, objections and complaints within 90 calendar days from the cut-off date. Upon receiving the objection or complaint, **Caterpillar** will have a maximum of 45 days to issue a response to **Lessee** along with a detailed report addressing all of the facts contained in the request for clarification, objection or complaint.

The response will be available to **Lessee** at the address of the Specialized Unit where the request, inquiry, request for clarification, objection or complaint was submitted, and **Lessee** must visit said address as of the thirtieth business day after submission.

The address of the **SPECIALIZED UNIT** is**: Boulevard Díaz Ordaz 140 Pte. Parque Torre 2, Piso 9 Monterrey, N.L. C.P. 64650.** The user assistance phone number is: (81) 80405454, fax: (81) 80405474 and email: **servicioalcliente@cat.com**.

CONDUSEF User Assistance:
CONDUSEF: Phone 53 400 999 or Toll Free 01 800 999 8080. Website: www.condusef.gob.mx and email opinion@condusef.gob.mx

CONDUSEF: Phone 01 800 999 8080. Website: www.condusef.gob.mx

In witness whereof, the parties sign in **triplicate** on the date:July 18th 2012

"CATERPILLAR"
CATERPILLAR CRÉDITO, S.A. DE C.V.,
SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE, E.N.R.

/s/ ARMANDO ALONSO RODRÍGUEZ CHÁVEZ
ARMANDO ALONSO RODRÍGUEZ CHÁVEZ
Legal Representative

LESSEE
COMPAÑIA MEXICANA DE AVINO, S.A. DE C.V.

/s/ JOSE CARLOS RODRIGUEZ MORENO
JOSE CARLOS RODRIGUEZ MORENO

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This Appendix A is an integral part of the Finance Lease Agreement whose number is indicated above, entered into by and between **CATERPILLAR CRÉDITO, S.A. DE C.V., SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE, E.N.R.,** as Lessor, **COMPAÑIA MEXICANA DE AVINO SA DE CV,** as Lessee, and [*sic*] (hereinafter, **"Agreement").**

The terms used in this Appendix A that are initial capped will be terms that are defined and that will have the meaning that is assigned to them in the **Agreement**, unless a different meaning is assigned.

I N F O R M A T I O N A L C H A R T

Lease Terms and Conditions

Invoice Price Excluding VAT:	$ 275,124.67 DOLLARS
Down Payment:	$ 41,268.70 DOLLARS
Purchase Price:	$ 233,855.97 DOLLARS
Mandatory Lease Term:	24 Month(s)
Total Rent:	$ 279,411.58 DOLLARS / PESOS
Equivalence in Mexico Pesos:	If the payment currency is set to be a foreign currency, the contents of Clause 10 of the Agreement will apply.
Installments:	24
Payment Frequency:	MONTHLY
Deposit Amount:	$ 9,922.62 DOLLARS / PESOS
First Period:	The date this agreement is signed
Starts:	
Ends:	1st day of October ,2012
Opening Fee:	
Financial Services Fee:	0.50 %
Management Fee:	0.50 %
Opening Fee Payment Date:	The date this agreement is signed
Prepayment Fee:	0.50 %
Late Payment Penalty:	$ 50.00 DOLLARS / PESOS PER MONTH plus VAT.
Agreement Costs Payment Date:	The date this agreement is signed
Applicable Base Rate:	FIXED
Percentage Points:	NOT APPLICABLE
Factor:	NOT APPLICABLE
Fixed Rate:	1.75 %
Substituted Interest Rate:	The rate that replaces it and is published in the Federal Official Gazette as issued by Banco de México.
Insurance:	Insurance for the contractor equipment to be paid by the client. The insurance will expire annually and will always designate the primary beneficiary to be Caterpillar Crédito S.A. de C.V. SOFOM, E.N.R. See Clause 21.
Specialized User Assistance Unit:	Boulevard Díaz Ordaz 140 Pte. Parque Torre 2, Piso 9, Monterrey N.L. C.P. 64650 Telephone Number (81) 80405454 fax (81) 80405474 and e-mail: servicioalcliente.mx@cat.com.
CONDUSEF User Assistance:	53 400 999 or toll free long distance 01 800 999 80 80, web page: www.condusef.gob.mx and e-mail: opinion@condusef.gob.mx
Contractual Penalty:	5.00% on the outstanding balance
Purchase Option:	$ 0.00 DOLLARS / PESOS
Extension Term:	**12 Months**
Extension Rent:	**Equivalent to 1.00% in US dollars on the Accrued Purchase Price.**
Share of Proceeds from Sale:	**80.00%**
Location of Leased Assets:	**In the Republic of Mexico.**
Co-Lessee:	

***Cautionary Notes:**
"Since the lease rate is variable, the interest may increase."
"Breach of your obligations may result in default interest and fees."
"Taking on credit for more than you are able to repay can affect your credit history."
"The surety, joint obligor or joint lessor will be liable as main obligor with respect to Caterpillar."
"Amounts payable under this credit will vary depending on the performance of the reference index or currency."

Payment Schedule:

PAYMENT NO.	PAYMENT DATE (ddmmmyy)	MONTHLY RENT DUE	VAT ON INTEREST	VARIABLE INTEREST IN PAYMENT	PRINCIPAL VAT	FIXED PRINCIPAL IN PAYMENT	OUTSTANDING PRINCIPAL AFTER PAYMENT
0	A la firma	41.268.70	0.00	0.00	6,602.99	41,2138.70	233,855.97
1	01 Oct 12	9,922.62	54.57	341.04	1,533.05	9,581.58	224,274.39
2	01 Nov 12	9,922.62	52.33	327.07	1,535.29	9,595.55	214,678.84
3	01 Dic 12	9,922.62	50.09	313.07	1,537.53	9,609.54	205,069.30
4	01 Ene 13	9,922.62	47.85	299.06	1,539.77	9,623.56	195,445.74
5	01 Feb 13	9,922.62	45.60	285.03	1,542.01	9,637.59	185,808.15
6	01 Mar 13	9,922.62	43.36	270.97	1,544.26	9,651.65	176,156.50
7	01 Abr 13	9,922.62	41.10	256.89	1,546.52	9,665.72	166,490.78
8	01 May 13	9,922.62	38.85	242.80	1,548.77	9,679.82	156,810.96
9	01 Jun 13	9,922.62	36.59	228.68	1,551.03	9,693.93	147,117.03
10	01 Jul 13	9,922.62	34.33	214.55	1,553.29	9,708.07	137,408.96
11	01 Ago 13	9.922.62	32.06	200.39	1,555.56	9,722.23	127,686.73
12	01 Sep 13	9,922.62	29.79	186.21	1,557.83	9,736.41	117,950.32
13	01 Oct 13	9,922.62	27.52	172.01	1,560.10	9,750.60	108,199.72
14	01 Nov 13	9,922.62	25.25	157.79	1,562.37	9,764.82	98,434.90
15	01 Dic 13	9,922.62	22.97	143.55	1,564.65	9,779.06	88,655.84
16	01 Ene 14	9,922.62	20.69	129.29	1,566.93	9,793.33	78,862.51
17	01 Feb 14	9,922.62	18.40	115.01	1,569.22	9,807.61	69,054.90
18	01 Mar 14	9,922.62	16.11	100.71	1,571.51	9,821.91	59,232.99
19	01 Abr 14	9,922.62	13.82	86.38	1,573.80	9,836.23	49,396.76
20	01 May 14	9,922.62	11.53	72.04	1,576.09	9,850.58	39,546.18
21	01 Jun 14	9,922.62	9.23	57.67	1,578.39	9,864.94	29,681.24
22	01 Jul 14	9,922.62	6.93	43.29	1,580.69	9,879.33	19,801.91
23	01 Ago 14	9,922.62	4.62	28.88	1,583.00	9,893.74	9,908.11
24	01 Sep 14	9,922.62	2.31	14.45	1.585.31	9,908.17	0.00
	Total	279,411.58	685.90	4,286.83	44,019.96	275,124.67	

(1) May change due to the base rate and the VAT pursuant to Article 18-A of the VAT law.

In witness whereof, this agreement is signed in triplicate on the 18th day of July, 2012.

A D D I T I O N A L A U T H O R I Z A T I O N

I hereby expressly and irrevocably authorize **CATERPILLAR CRÉDITO, S.A. DE C.V., SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE, E.N.R.**, through its authorized employees, to use any means to investigate and monitor my credit history and performance, personal information or any preventive measures put in place by banking, financial, business, or service institutions in connection with my credit performance, in the credit reporting companies that it deems pertinent.

Likewise, I state that I am aware of the nature and scope of the information to be requested and of the use that **CATERPILLAR CRÉDITO, S.A. DE C.V., SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE, E.N.R.**, will make of that information. This authorization will remain in place until the end of the legal relationship between **CATERPILLAR CRÉDITO, S.A. DE C.V., SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE, E.N.R.**, and myself or the company I represent.

I am aware of and accept the fact that this document will remain in the possession of **CATERPILLAR CRÉDITO, S.A. DE C.V., SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE, E.N.R.** to track and enforce this authorization.

FEDERAL CIVIL CODE:

Article 1913. When a party uses mechanisms, instruments, devices or substances that are hazardous in and of themselves, due to the speed involved, due to their explosive or flammable nature, due to the electrical current they conduct or due to other similar causes, that party will be held accountable for any damage it causes, even where it has not acted illegally, unless such party is able to demonstrate that the damage was caused by the inexcusable fault or negligence of the victim.

Article 1987. In addition to joint liability, there will be active joint and several liability when two or more creditors have the right to demand, each on its own, full performance of the obligation, and passive joint and several liability when two or more debtors report the obligation to provide, each one on its own, the full performance due.

VALUE ADDED TAX LAW:

Article 18-A. To calculate taxes, the value will be considered to be the actual value of the accrued interest arising from credit facilities granted by the financial system institutions referenced in Article 8 of the Income Tax Law, on credit facilities issued by means of line of credit or checking account agreements where the borrower or checking account holder may draw down on credit by using cards issued by the lender, and on finance lease transactions.

For the transactions referenced in this article, the fees charged to the debtor, borrower, checking account holder or lessee for drawdowns of cash or any other item, and contractual penalties, except default interest, will not be considered to be part of the accrued interest.

The actual value of the accrued interest will be determined as follows:

I. When the transaction in question is denominated in the domestic or a foreign currency, the actual value of the interest will be calculated by applying the base used to calculate accrued interest, the actual interest rate, in accordance with the following:

a) The actual interest rate will be calculated by subtracting the inflation for the period involved from the interest rate for that same period. Inflation will be calculated by dividing the investment unit value set by Banco de México for the last day in the period by the investment unit value for the day immediately prior to the first day in the period and subtracting the unit quotient.

b) When the credit transaction is in foreign currency, the exchange rate gains accrued in the period involved, expressed as a proportion of the average principal balance for that same period, will be added to the pertinent interest rate for that period. To express the exchange rate gains accrued in the period involved as a proportion of the average principal balance for that same period, the exchange rate gains in Mexican pesos will be divided by that average balance converted into Mexican pesos at the exchange rate published by Banco de México in the **Federal Official Gazette** for the last day in the period in which interest is accrued. If Banco de México does not publish the exchange rate, the last exchange rate published by that institution prior to that date will be applied. The average principal balance will be the sum of the daily principal balances in the period divided by the number of days in that same period in which interest is accrued.

When the result of adding up the interest rate for the period and the exchange rate gains accrued in the same period expressed in the terms of the preceding paragraph is equal to or less than the inflation in the period in which interest is accrued, no tax will be due for that period.

If the interest rate for the period is expressed as a percentage, it should be divided by one hundred prior to doing the additions and subtractions as mentioned in the preceding paragraphs.

II. When the transactions involved are denominated in investment units, the actual value of the interest will be the interest accrued in the period without considering the adjustment pertaining to the principal due to being denominated in investment units.

When the payment for interest accrued monthly is not received for a period of three consecutive months, the taxpayer may, beginning with the fourth month, defer the tax on interest that is accrued beginning with that month until the month when the payment is actually received. Beginning with the month when the full payment is received for the accrued interest that was not collected as referenced in this paragraph, the pertinent tax on the interest that is accrued subsequently will take effect on the month when the interest is accrued. The contents of this paragraph will only be applicable to finance leases for transactions engaged in with the general public.

For credit transactions or finance leases in foreign currency that are entered into with the general public, to calculate interest, instead of the actual value of the accrued interest referenced in this article, the value of the accrued interest may be considered. When this option is exercised for a credit facility, it may not be changed during the lifetime of that credit facility.

GENERAL SPECIAL-PURPOSE FINANCIAL INTERMEDIARIES AND ACTIVITIES LAW:

Article 87-F. The agreement recording the credit facility, finance lease or factoring executed by multiple-purpose financial institutions, so long as the instrument is accompanied by a certification of the pertinent account statement as referenced in the preceding article, will be a commercial executory instrument without the need for authentication of signature or any other requirement whatsoever.

The account statement specified in the first paragraph of this article must contain the identification information on the contract or agreement recording the credit facility, factoring or finance lease that has been executed, the initial capital available or, as the case may be, the determined rent payment, the principal, or, as the case may be, outstanding, unpaid rent; principal or, as the case may be, rent coming due; the credit interest rate or, as the case may be, the variability of the rent applicable to the rent that may be determined for each payment period, default interest incurred, the interest rate applicable to default interest, and the amount of ancillary fees incurred.

Article 87-J. Finance lease, factoring, or credit facility agreements that are entered into by multiple-purpose financial institutions must expressly indicate that, for the agreements to be created and operate as such, they do not require authorization from the Secretary of Treasury and Public Credit. The same thing must be stated in any type of information that multiple-purpose financial institutions use to promote their operations and services.

In addition to the foregoing, multiple-purpose unregulated financial institutions must state, in the documentation and information referenced in the preceding paragraph, that they are not subject to supervision and oversight by the National Banking and Securities Commission to engage in the transactions indicated in that same paragraph.

GENERAL LAW ON NEGOTIABLE INSTRUMENTS AND CREDIT TRANSACTIONS:

Article 4. For credit transactions that are governed by this law, it is presumed that the co-debtors are jointly and severally bound.

Article 408. In virtue of the finance lease agreement, the lessor undertakes to acquire certain assets and grant their temporary use or enjoyment for a mandatory term to the lessee, who may be an individual or company. The latter undertakes to pay, as consideration, in installment payments, as agreed, an amount of money that is determined or that is to be determined, to pay for the purchase of the goods, financial charges, and other ancillary fees as stipulated, and choose, upon the expiration of the agreement, one of the ending options referenced in Article 410 of this Law.

Finance lease agreements must be executed in writing and may be registered in the Public Registry of Commerce at the request of the parties to the agreement without prejudice to registering it in other registries as determined by law.

In the case specified in the preceding paragraph, the parties must stipulate the period in which the advance payments are to be made, after which the lessee must pay them in the finance lease with the characteristics and conditions agreed to in the pertinent agreement.

Article 414. Unless stipulated otherwise, the lessee is responsible for the following:

I. Any hidden defects or faults in the assets that impede their partial or total use. In such a case, the lessor will transfer to the lessee the rights pertaining thereto as buyer so the lessee may exercise them against the seller or will authorize the lessee to represent it to exercise said rights.

II. Full or partial loss of the assets, even where the loss is due to force majeure or acts of God; and

III. In general, any risks, losses, theft, destruction or damage affecting the assets under the finance lease.

In the event of the specified contingencies, the lessee is not released from making the payment for consideration and must make payment as agreed to in the agreement.

Article 417. Any insurance or guarantee that is set forth in finance lease agreements must cover, under the terms as stipulated, at least the risks involved in construction, transportation, receipt, or installation, depending on the nature of the assets, damages or losses to the assets themselves, in connection with their possession and use, as well as civil and professional liability of any nature that may be caused in light of the use or enjoyment of the assets themselves, when dealing with assets that may cause personal or property damage to third parties.

The agreements or documents recording the guarantee must indicate the lessor as primary beneficiary so that, first of all, with the payment for compensation the lessor is paid the outstanding balances for the obligation under agreement, or the liability to which the lessor is bound as the owner of the assets. If the compensation amount paid does not cover the balances or liability, the lessee must pay the shortfall.

Article 418. Insurance premiums and expenses will be borne by the lessee, even when the lessor takes out the insurance referenced in the preceding article, should the case be such that the insurance is stipulated to be taken out by the lessee and the lessee does not do so within three days after the agreement is executed. This is without prejudice to this omission being considered to be grounds for termination of the agreement.

LAW FOR FINANCIAL SERVICES TRANSPARENCY AND REGULATION:

Through the means stipulated with their clients, entities must announce any increase in fee amounts as well as any new fees to be charged at least thirty calendar days in advance of the date provided for the changes to take effect. Without prejudice to the foregoing, under the terms set forth in the agreements, clients will have the right to terminate the provision of services provided by the entities if they do not agree with the new amounts without the entity being able to charge any additional sum whatsoever therefor, with the exception of the amounts owed that would have already been generated as of the date when the client requests that the service be terminated.

Breach of the contents of the preceding paragraph will result in the invalidation of the fee, independently of any penalties that may be appropriate.

MONETARY LAW OF THE UNITED MEXICAN STATES.

Article 8. Foreign currency is not legal tender in the Republic except in cases when the Law expressly deems otherwise. Payment obligations in foreign currency that are entered into inside or outside the Republic will be complied with in Mexico by providing an equivalent amount in Mexican pesos at the current exchange rate in the place and on the date that the payment must be made.

The exchange rate will be determined based on the provisions that Banco de México issues under the terms of its Constitutional Law.

Payments in foreign currency arising from situations or funds transfers from abroad that are carried out through Banco de México or financial institutions must be fulfilled by delivering the currency that underlies the transfer or situation. This is without prejudice to enforcement of the obligations that the current exchange rate program entails.

The obligations referenced in the first paragraph of this article that arise from irregular bank deposits created in foreign currency will be settled based on the contents of that paragraph unless the debtor is expressly bound to make the payment in precisely that foreign currency, in which case that currency must be delivered. The latter payment method may only be stipulated in cases where the competent banking authorities authorize it by means of general rules that must be published in the Federal Official Gazette. This is without prejudice to enforcement of the obligations that are entailed in the current exchange rate program.

CONTINUING GUARANTEE

This Continuing Guarantee ("**Guarantee**") is made and entered into as of this 17th day of December 2012 by **AVINO SILVER & GOLD MINES LTD.** ("**Guarantor**"), a company organized and existing under the laws of Canada, with its principal place of business located at **Suite 900, 570 Granville Street, Vancouver, BC, Canada V6C 3P1**, **in** favour of **CATERPILLAR CRÉDITO, S.A. DE C.V., SOFOM, E.N.R.** ("**Caterpillar Crédito**"), a company organized and existing under the laws of the United Mexican States, with its principal place of business located at Boulevard Díaz Ordaz 140, Pte. Torre 2, Piso 9 Col. Santa María, Monterrey, Nuevo León, México, guaranteeing the Indebtedness (as defined below) of **COMPAÑIA MINERA MEXICANA DE AVINO, S.A. DE C.V.** ("**Obligor**"), a company organized and existing under the laws of United Mexican States, with its principal place of business located at **Calle Alfonso de Pacheco, N. Ext. 300, Colonia Nueva Vizcaya, Durango, Durango, C.P. 34080.**

FOR VALUABLE CONSIDERATION, and/or as an inducement to Caterpillar Crédito to now or hereafter enter into, purchase or otherwise acquire the agreements, accounts and/or other obligations evidencing and/or securing Obligor's Indebtedness and in consideration of and for credit and financial accommodations now or hereafter extended to or for the account of Obligor (which includes Caterpillar Crédito's consent to an assignment and/or assumption of the Indebtedness), which is in the best interest of Guarantor and which would not have been extended but for this Guarantee, Guarantor hereby agrees as follows:

1. Guarantor hereby absolutely, irrevocably and unconditionally agrees, solidarily with Obligor and any other guarantor of Obligor with respect to the Indebtedness to (a) gyarantee the prompt and punctual payment, performance and satisfaction of all present and future Indebtedness and Obligations of Obligor to Caterpillar Crédito, **in an amount up to US$5,000,000.00 (Five Million 00/100 Dollars) plus any applicable interest, delinquent interest, fees and commissions,** whether in connection with or arising, whether in connection with or arising out of conditional sale contracts, promissory notes, leases with existing and future additional schedules thereto, notes or other instruments or agreements (hereinafter individually and collectively, "**Contract**"), whether originally contracted with Caterpillar Crédito or otherwise acquired by Caterpillar Crédito and whether representing rentals, principal, interest and/or late charges or other charges of an original balance, an accelerated balance, a balance reduced by part payment or a deficiency after sale of collateral or otherwise; (b) guarantee due regular and punctual payments and prompt performance of any other debt or obligation of Obligor to Caterpillar Crédito; and (c) undertake and guarantee to pay on demand and indemnify Caterpillar Crédito against all liabilities, losses, costs, legal fees, disbursements and expenses (on a solicitor and own client basis and any sales, goods and services or other similar taxes payable to any governmental authority with respect to any such liabilities, losses, costs, fees, disbursements and expenses) and other expenses which may be suffered or incurred by Caterpillar Crédito by reason of, with respect to, or resulting from, (i) Obligor's default under or with respect to any of Obligor's Indebtedness; (ii) any failure or delay by Guarantor in performing or observing any of its obligations under this Guarantee; (iii) the preparation, registration, administration or enforcement of this Guarantee; and (iv) performing or observing any of the covenants of Guarantor under this Guarantee (as applicable) (with all of Obligor's indebtedness and/or obligations as stated above being hereinafter individually and collectively referred to under this Guarantee as Obligor's "**Indebtedness**", which Indebtedness shall be conclusively presumed to have been created in reliance upon this Guarantee).

2. This Guarantee shall extend and ensure to the benefit of Caterpillar Crédito's successors and assigns and will be binding upon Guarantor and its successors, heirs, executors, administrators and permitted assigns, as applicable. For greater certainty, but without limiting the foregoing, Guarantor hereby agrees that Caterpillar Crédito may assign this Guarantee and any and all rights and interest included herein to Caterpillar Crédito's sole discretion without notice to Guarantor. Guarantor acknowledges that an assignment of Caterpillar Crédito's rights under this Guarantee shall occur automatically upon the assignment of the Contract whether or not this Guarantee is specifically mentioned in any instrument of assignment. Any assignee shall be entitled to all rights and benefits hereunder without setoff, counterclaim, reduction, recoupment, abatement, deduction or defense based on any claim Guarantor may have against such assignee, Caterpillar Crédito or subsequent holders of Obligor's Indebtedness. Guarantor shall not assign or delegate this Guarantee without the prior written consent of Caterpillar Crédito.

3. The liabilities of Guarantor hereunder are independent of Obligor's Indebtedness and of any and all other guarantees that may be made by any others with respect to the Indebtedness and a separate action may be prosecuted against Guarantor whether or not action is brought against Obligor, and Caterpillar Crédito may make demand on Guarantor for payment of any amount guaranteed hereunder (a) without first seeking or exhausting any recourse or remedy against Obligor or any other person liable for payment of all or any portion of the Indebtedness; and (b) with or without notice to, or demand for payment by, Obligor or subsequent holders of Obligor's Indebtedness. Guarantor hereby renounces the benefits of discussion and division.

4. Guarantor hereby authorizes Caterpillar Crédito, without notice or demand and without affecting Guarantor's liability hereunder to (a) renew, compromise, settle, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of any of the Indebtedness or other documents related to the Indebtedness and grant other indulgences; (b) take, hold and give up security for the payment of this Guarantee or any of the Indebtedness and exchange, enforce, waive, release and discharge any such security and otherwise deal with Obligor and other parties and security as Caterpillar Crédito may see fit; and (c) apply all monies received from Obligor or others, or from any security, upon such part of the Indebtedness as it may think best, without prejudice to or in any way limiting or lessening the liability of Guarantor under this Guarantee. Without limiting the foregoing, Guarantor waives any right to require Caterpillar Crédito to proceed against Obligor, to sell, repurchase, or otherwise dispose of the equipment purchased under the Contract or any amendments or supplement to it (the "**Equipment**"), to proceed against, enforce or exhaust any collateral or security held from Obligor, or to pursue any other remedy in Caterpillar Crédito's power to mitigate damages.

5. Until all the Indebtedness shall have been indefeasibly paid in full, Guarantor shall have no right of subrogation, and Guarantor waives any right to enforce any remedy which Caterpillar Crédito now has or may hereafter have against Obligor and waives any interest in the Equipment and any benefit of and any right to participate in any security now or hereafter held by Caterpillar Crédito. In the case of liquidation, winding up or bankruptcy of Obligor (whether voluntary or compulsory) or if Obligor makes a bulk sale of any of its assets within the bulk transfer provisions of any applicable legislation or any composition with creditors or scheme of arrangement, Caterpillar Crédito shall have the right to rank for its full claim and receive all dividends or other payments in respect hereof until its claim has been paid in full and Guarantor shall continue liable, up to the amount guaranteed, less any payments made by Guarantor, for any balance which may be owing to Caterpillar Crédito by Obligor; and in the event of the valuation by Caterpillar Crédito of any of its security and/or retention thereof by Caterpillar Crédito, such valuation and/or retention shall not, as between Caterpillar Crédito and Guarantor, be considered as a purchase of such security, or as payment or satisfaction or reduction of Obligor's liabilities to Caterpillar Crédito or any part thereof.

6. Upon Obligor's default under its Indebtedness to Caterpillar Crédito, Guarantor agrees that any and all rights that Guarantor may have or acquire to receive payment from Obligor shall in all respects be subordinate, inferior and junior to Caterpillar Crédito's rights to collect and enforce payment, performance and satisfaction of the then remaining Indebtedness, until such time as the Indebtedness is fully paid and satisfied. Any monies received by Guarantor in respect of such debts and liabilities shall be received by Guarantor in trust for and promptly paid over to Caterpillar Crédito.

7. Guarantor hereby waives all presentments, demands for performance, notices of nonperformance, protests, notices of dishonour, and notices of acceptance of this Guarantee. Guarantor also waives notice of any default by Obligor or any other person, of any sale, transfer or disposition of the Equipment and of any adverse change in Obligor's financial condition or any other fact which might materially increase Guarantor's risk. Any failure by Caterpillar Crédito to exercise its rights hereunder shall not give rise to any estoppel against Caterpillar Crédito, or excuse Guarantor from performance hereunder. Caterpillar Crédito's waiver of any right to demand performance hereunder shall not be a waiver of any subsequent or other right to demand performance hereunder.

8. Guarantor represents and warrants to Caterpillar Crédito, upon each of which representations and warranties Caterpillar Crédito specifically relies, as follows: (a) if Guarantor is a corporation, it is duly incorporated under the laws of its jurisdiction of incorporation, is validly subsisting under the laws of its jurisdiction of incorporation and has the necessary corporate power and authority to enter into and perform its obligations under this Guarantee; (b) all necessary action has been taken, and all other necessary approvals, authorizations and consents have been unconditionally obtained and are in full force and effect, to authorize Guarantor to execute, deliver and perform its obligations under this Guarantee; (c) the execution, delivery and performance of this Guarantee will not contravene or constitute a default under the constating documents of Guarantor (as applicable), any agreement, instrument, law, judgment, order, license, permit or consent by which Guarantor or any of Guarantor's assets is bound or affected; (d) this Guarantee, when executed and delivered by Guarantor, will constitute a legal, valid and binding obligation of Guarantor enforceable in accordance with its terms; and (e) Guarantor will receive a direct or indirect material benefit from the Contract or arising out of Obligor's Indebtedness.

9. Guarantor's liability hereunder is continuing, unconditional and absolute, and without limiting the generality of the foregoing, shall not be discharged, in whole or in part, limited or diminished or otherwise affected by (and Guarantor hereby consents to or waives, as applicable, to the fullest extent permitted by applicable law) any defense based directly or indirectly on (a) any extension, other indulgence, renewal, settlement, discharge, compromise, waiver, subordination or release in respect of any Indebtedness, security or otherwise; (b) any modification or amendment of or supplement to the Indebtedness, including any increase or decrease in the principal, the rates of interest (as applicable) or other amounts payable thereunder; (c) any release, non-perfection or invalidity of any direct or indirect security for any Indebtedness (whether caused through the fault of Caterpillar Crédito or otherwise); (d) the unenforceability against Obligor of the Contract, any amendment or supplement thereto or any provision thereof and/or Obligor's absence or cessation of liability thereunder for any reason; (e) any defect in,

damage to, destruction of or loss of or interference with possession or use of the Equipment for any reason by Obligor or any other person; (f) any change or changes in the name of Obligor, or (if Obligor is a partnership) any change or changes in the membership of Obligor's firm by death or by the retirement of one or more of the partners or by the introduction of one or more other partners; or (g) any other occurrence or circumstance whatsoever, whether similar or dissimilar to the foregoing, which might, but for the provisions of this Section 9, otherwise constitute a legal or equitable discharge, release or defense of a guarantor or surety or which might otherwise limit recourse against Guarantor. The foregoing provisions apply (and the foregoing waivers will be effective) even if the effect of any action (or failure to take action) by Caterpillar Crédito is to destroy or diminish Guarantor's subrogation rights, Guarantor's right to proceed against Obligor for reimbursement, Guarantor's right to recover contribution from any other guarantor or any other right or remedy. Any discharge or release of this Guarantee and any composition or arrangement which Guarantor may make with Caterpillar Crédito shall be deemed to be subject to the condition that it will be void if any payment or security which Caterpillar Crédito may previously have received from any person in respect of any of the Indebtedness is set aside under any applicable law or proves to have been for any reason invalid. Guarantor hereby acknowledges and agrees that this Guarantee is not a guarantee attached to specific duties of Guarantor towards Obligor, but is given in consideration of the credit and financial accommodations extended to Obligor and the ability of Guarantor to pay or cause to be paid the Indebtedness. Guarantor is fully aware of the financial condition of Obligor.

10. Guarantor and each owner and principal of Guarantor (collectively, "**Principal**") whose personal information is provided in connection with any Contract and any related application consents to the collection, use and disclosure of personal information by Caterpillar Crédito as follows: (a) Caterpillar Crédito may collect and use personal information provided by Guarantor or Principal in connection with any Contract and any related application for the purposes of verifying and evaluating the application, identity (including for regulatory compliance purposes), creditworthiness (including by obtaining and using credit reports), and the information provided to Caterpillar Crédito in connection with the application and/or Contract. Caterpillar Crédito may collect credit, financial and related personal information for these purposes from Guarantor's or Principal's application, Caterpillar Crédito's affiliates, credit bureaus and credit reporting agencies, from references that Guarantor or Principal may have provided in the application and other parties with whom Guarantor or Principal have had a financial or credit relationship. Guarantor and Principal consent to the disclosure of such information by these parties to Caterpillar Crédito; (b) Social Insurance Numbers or other personal identifiers, if provided, may be used to verify the identity of Guarantor or Principal, including matching credit records. Identity verification may also include checking your identity against watch lists established by regulatory agencies and similar bodies in Canada and foreign countries; (c) Caterpillar Crédito may, from time to time, use the information referred to above and other personal information collected or compiled by Caterpillar Crédito in connection with any Contract (including account status and payment history) (collectively, the "**Information**") and share the Information among and with Caterpillar Crédito, Caterpillar Inc. and their respective affiliates and subsidiaries ("**Caterpillar**") and an authorized Caterpillar dealer for the purposes of opening, administering, servicing and enforcing any Contract, collecting amounts owing to Caterpillar Crédito, verifying and evaluating the current and ongoing creditworthiness and financial status of Guarantor or Principal, responding to inquiries and otherwise communicating with Guarantor or Principal regarding the account; (d) for the purpose of maintaining credit history of Guarantor or Principal and providing credit references, Guarantor or Principal may from time to time disclose credit-related Information to credit bureaus, credit reporting agencies and to current or future creditors of Guarantor or Principal; (e) Caterpillar Crédito may use and exchange banking information of Guarantor or Principal with financial institutions for payment processing purposes; (f) Caterpillar Crédito may otherwise use the Information and disclose the Information to third parties as necessary: (i) to register security interests; (ii) to enforce security, any Contract and otherwise collect amounts owing to Caterpillar Crédito; (iii) for the purposes of detecting and preventing fraud; (iv) in connection with audits; and (v) for the purposes of meeting legal, regulatory, risk management and security requirements; (g) Caterpillar Crédito may use and disclose the Information to assignees, prospective assignees and other third parties that are connected with the proposed or actual financing, securitization, insuring, sale, assignment or other disposal of all or part of Caterpillar Crédito's business or assets (including any Contract and/or amounts owing to Caterpillar Crédito) for the purposes of permitting a prospective assignee to evaluate the creditworthiness of Guarantor or Principal and otherwise determine whether to proceed or continue with the transaction, fulfilling any reporting or audit requirements to such parties, and/or completing the transaction; (h) Caterpillar Crédito may use agents and service providers (including Caterpillar acting in that capacity) to collect, use, store and/or process personal information on its behalf, and the Information may be transferred to these entities for the purposes described in any Contract; and (i) Caterpillar Crédito may, from time to time, use the Information and share the Information among and with Caterpillar to promote and market additional products or services of Caterpillar to Guarantor. Some of these agents, service providers and/or affiliates may be located outside of Canada, and the Information may be transferred or processed outside of Canada for these purposes. In addition, Caterpillar Crédito and its affiliates have offices and/or may be located in the U.S. or elsewhere outside of Canada, and as a result, the Information may be disclosed outside of Canada for the purposes described above. The Information may be subject to legal requirements in foreign countries applicable to Caterpillar Crédito and its agents, service providers or affiliates, for example lawful requirements to disclose information to government authorities in those countries. Caterpillar Crédito's successors and assigns may collect, use and disclose the Information for substantially the same purposes as described in any Contract.

Caterpillar Crédito's employees and agents that need to access the Information to fulfil their job requirements will have access to Guarantor's and Principal's file, which will be located at Caterpillar Crédito's offices in Monterrey, México (or at such other location as may designated from time to time). Guarantor or Principal may request access and correction of the Information, subject to applicable legal restrictions, or make other inquiries regarding personal information by writing to Caterpillar Crédito at Boulevard Diaz Ordaz 140 Pte., Torre 2 Piso 9, Colonia Santa Maria, Monterrey, Nuevo Leon, Estados Unidos Mexicanos or as otherwise designated by Caterpillar Crédito. Guarantor and Principal consent to the collection, use and disclosure of such personal information as described above and as otherwise permitted or required by law (including as required by foreign laws applicable to Caterpillar Crédito and affiliates or service providers). The consents provided above shall be valid for so long as required to fulfil the purposes described in any Contract.

11. There are no representations, collateral agreements or conditions with respect to this Guarantee or affecting Guarantor's liability hereunder other than as contained herein and in any amendment and/or supplement to this Guarantee. This Guarantee is in addition and without prejudice to any security of any kind (including without limitation other guarantees and postponement agreements whether or not in the same form as this agreement) now or hereafter held by Caterpillar Crédito and any other rights or remedies Caterpillar Crédito might have. If more than one Guarantor executes this Guarantee the provisions hereof shall be read with all grammatical changes thereby rendered necessary and each reference to Guarantor shall include the undersigned and each and every one of them severally and this guarantee and all covenants and agreements herein contained shall be deemed to be joint and several.

12. This Guarantee shall be continuing and unconditional until all of the Indebtedness is indefeasibly paid in full. This Guarantee shall extend to the person, firm or corporation acquiring or from time to time carrying on the business of Obligor. This Guarantee shall be governed by and construed in accordance with the laws of the Province/Territory of **British Columbia** and the federal laws of Canada applicable therein, and Guarantor agrees that any legal suit, action or proceeding arising out of or relating to this Guarantee may be instituted in the courts of such Province/Territory, and Guarantor hereby accepts and irrevocably submits to the jurisdiction of the said courts and acknowledges their competence and agrees to be bound by any judgment thereof, provided that nothing therein shall limit Caterpillar Crédito's right to bring proceedings against Guarantor elsewhere. If any provisions of this Guarantee are in conflict with any applicable statute, rule or law, then such provisions shall be deemed null and void to the extent that they may conflict therewith, but without invalidating any other provision hereof

13. The parties hereto have expressly requested that this Guarantee and all related documents be drawn up in the English language. *Les parties aux présentes ont expressément demandé que le present cautionnement et tout document y afferent soient rédigés en langue anglaise.*

14. Guarantor acknowledges receipt of an executed copy of this Guarantee.

15. GUARANTOR AND CATERPILLAR CRÉDITO EACH WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS GUARANTEE, OR ANY OF THE LOAN DOCUMENTS, OR THE COLLATERAL. GUARANTOR ACKNOWLEDGES THAT THE FOREGOING WAIVER IS A MATERIAL INDUCEMENT TO CATERPILLAR CRÉDITO ENTERING INTO THIS AGREEMENT AND THAT CATERPILLAR CRÉDITO IS RELYING UPON THE FOREGOING WAIVER IN ITS FUTURE DEALINGS WITH OBLIGOR. GUARANTOR WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THE FOREGOING WAIVER WITH ITS LEGAL COUNSEL AND HAS KNOWINGLY AND VOLUNTARILY WAIVED ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH SUCH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

16. If, for the purposes of obtaining, or as a result of, a judgment in any court in any country, or as a result of the liquidation of Obligor, or for any other reason, including without limitation currency exchange controls which may come into force from time to time in Canada, it becomes necessary to convert into any currency other than United States Dollars (the "Foreign Currency") an amount due in United States Dollars under this Guarantee, then the conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which the judgment is given or payment ordered, as the case may be. If there is a change in the rate of exchange prevailing between the Business Day before the day on which the payment is ordered or judgment is given and the date of actual payment of the amount due, Guarantor will pay such additional amounts (if any) as may be necessary to ensure that the amount paid in the Foreign Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount then due under this Guarantee in United States Dollars. Any amount due from Guarantor under this Section will be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of this Guarantee. The term "rate of exchange" in this clause means the spot rate at which Caterpillar Crédito, in accordance with its normal practice, is able, on the relevant date, to purchase United States Dollars with the Foreign Currency and includes any premium and cost of exchange payable. The indemnity contained in this Section shall apply irrespective of any indulgence granted to Guarantor from time to

time and shall continue in full force and effect notwithstanding any payment in favor of Caterpillar Crédito. The term "Business Day" means any day other than a Saturday, Sunday, or other day on which Caterpillar Crédito is not open for the normal conduct of business.

17. No amendment, modification, consent or waiver of any provision of this Guarantee, and no consent to any departure by Guarantor therefrom, shall be effective unless the same shall be in writing signed by a duly authorized officer of Caterpillar Crédito, and then shall be effective only to the specific instance and for the specific purpose for which given.

18. To the extent that the Guarantor may in any jurisdiction claim for itself, the Obligor, or the real or personal property of either, immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to the Guarantor, the Obligor or the property of either, such immunity (whether or not claimed), the Guarantor hereby waives (and will not raise on behalf of the Obligor) such immunity to the full extent permitted by the laws of such jurisdiction.

GIVEN UNDER SEAL at Vancouver, in the Province/Territory of BC, this 17 day of December, 2012.

AVINO SILVER & GOLD MINES LTD.

By: _____
Name: David Wolfin
Title: Director and President
- T: +1 604 682 3701
- F: +1 604.682.3600
- E-mail : dwolfin@avino.com

WITNESS:

By: _____

Name (Print): Malcolm Davidson

Title: Chief Financial Officer

Address: 900- 570 Granville St

Vancouver BC. V6C 3P1

WITNESS:

By: _____

Name (Print): Dorothy Chan

Title: Corp. Secretary

Address: #900 - 570 Granville St.

Van. BC V6C 3P1

EXHIBIT 4.6

OPTION AGREEMENT

BETWEEN

AVARON MINING CORP.

AND

AVINO SILVER & GOLD MINES LTD.

DATED the 3rd day of January, 2012

TABLE OF CONTENTS

THIS OPTION AGREEMENT is dated as of the 3rd day of January, 2012 (the "Execution Date").

AMONG:

AVINO SILVER & GOLD MINES LTD., a company incorporated under the laws of British Columbia, having an office at #900, 570 Granville Street, Vancouver, British Columbia, Canada V6C 3P1

(the "Company")

AND:

AVARON MINING CORP. a company incorporated under the laws of British Columbia, having an office at #900, 570 Granville Street, Vancouver, British Columbia, Canada V6C 3P1

("Avaron")

W H E R E A S:

A. The Company is the registered, legal and beneficial holder of a 100% title and interest in fourteen (14) quartz mining leases granted under the *Quartz Mining Act* (Yukon) in the Yukon Territory known as the Eagle Property, which mining leases are fully described in Schedule A attached hereto (the "Property"); and

B. The Company wishes to grant Avaron, or a permitted assignee of Avaron, the exclusive right and option to acquire a 100% title and interest in the Property and the parties wish to enter into this Agreement to provide for such right and option and other matters relating to the exploration and development of such mining leases.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the payment by each Party to the other of the sum of $10.00 (the receipt and sufficiency of which is hereby acknowledged by each Party) and of the mutual covenants and agreements contained herein the parties agree as follows:

1. DEFINITIONS

1.1 In this Agreement and in the Schedules and the recitals hereto, unless the context otherwise requires, the following expressions will have the following meanings:

(a) "Assets" mean the Property and all other assets acquired or held by the Parties with respect thereto or pursuant to this Agreement as the same may exist from time to time;

(b) "Commercial Production" means the commercial exploitation of ore but does not include milling for the purpose of testing or milling by a pilot plant or during the initial tune-up period of a plant. Commercial Production will be deemed to have commenced:

(i) if a plant is located on the Property, on the first day of the month following the first period of 30 consecutive days during which ore has been processed through such plant at an average rate of not less than 70% of the initial rated capacity of such plant, or

(ii) if no plant is located on the Property, on the first day of the month following the first period of 30 consecutive days during which ore has been shipped from the Property at the rate of not less than 70% of the milling rate specified in a feasibility study recommending placing the Property into commercial production;

(c) "Encumbrances" means all interests, mortgages, charges, royalties, security interests, liens, encumbrances, actions, claims, demands and equities of any nature whatsoever or however arising and any rights or privileges capable of becoming any of the foregoing;

(d) "Environmental Laws" means all applicable federal, state, municipal and local laws, statutes, ordinances, by-laws, regulations, orders, directives and decisions, rendered by any ministry, department or administrative or regulatory agency relating to the protection of the environment, or pollutants, contaminants, chemicals, or industrial, toxic or hazardous wastes or substances;

(e) "Exchange" means the TSX Venture Exchange on which the common shares of the Company are listed for trading;

(f) "Exploration Costs" means all costs, outlays and expenses of whatever kind or nature spent or incurred directly or indirectly in connection with the exploration of the Property since the Execution Date including, without limiting the generality of the foregoing, moneys expended in maintaining the Property in good standing and costs incurred in connection with complying with Environmental Laws, all costs incurred in connection with investigations and work normally conducted in exploration and in investigating the feasibility and viability of mining including all baseline environmental studies and pre-feasibility work, all insurance costs, moneys expended in doing and filing assessment work, expenses paid for or incurred in connection with any program of surface or underground prospecting, exploring, geophysical, geochemical and geological surveying, drilling, drifting, raising and other underground work, assaying, mineralogical, engineering and environmental studies, reclamation costs, bonds required to be posted, data preparation and analysis, submissions to government agencies, all associated sales taxes including the goods and services tax, paying the fees, wages, salaries, traveling expenses and fringe benefits of all persons engaged in work with respect to and for the benefit of the Property, money expended in rectifying or addressing an Intervening Event and in paying for food, lodging and other reasonable needs of such persons. For greater certainty, the cash and share payments described at sections 4.2, 4.3 and 5.3 shall not be considered Exploration Costs for the purposes of this Agreement;

(g) "Interest" means the undivided beneficial percentage interest of a Party in the Property and the Assets;

(h) "Operator" means the Party acting as Operator with respect to the Property pursuant to this Agreement and the "Non-Operator" means the Party who is not the Operator;

(i) "Net Smelter Royalty" shall have the meaning set out in Schedule C;

(j) "Party" means either of the Company or Avaron and their successors and permitted assigns and "Parties" means together, the Company and Avaron and their successors and permitted assigns; and

(k) "Property" means the mining leases granted under the *Quartz Mining Act* (Yukon) described in Schedule A, together with the surface rights, mineral rights, personal property and permits associated therewith, and shall include any renewal thereof and any other form of successor or substitute title thereto.

1.2 In this Agreement, unless something in the subject matter or context is inconsistent therewith:

(a) all references in this Agreement to "articles", "sections" and other subdivisions or Schedules are to the designated articles, sections or other subdivisions or Schedules of or attached to this Agreement;

(b) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section or other subdivision;

(c) the headings are for convenience only and do not form part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement;

(d) the singular of any term includes the plural, and vice versa, the use of any term is equally applicable to any gender and, where applicable, a body corporate, the word "or" is not exclusive and the word "including" is not limiting (whether or not non-limiting language is used with reference thereto);

(e) the words "written" or "in writing" include printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception including telex, telegraph, telecopy, facsimile or e-mail;

(f) any reference to a statute is a reference to the applicable statute and to any regulations made pursuant thereto and includes all amendments made thereto and in force from time to time and any statute or regulation that has the effect of supplementing or superseding such statute or regulation;

(g) a “day” shall refer to a calendar day and in calculating all time periods the first day of a period is not included and the last day is included and references to a “business day” shall refer to days on which banks are ordinarily open for business in Vancouver, British Columbia, but if a period ends on a day on which the banks are not open for business in Vancouver, British Columbia, the period will be deemed to expire on the next calendar day on which banks are open for business in Vancouver, British Columbia; and

(h) all references in this Agreement to “$” or “dollars” are references to the lawful currency of the Canada.

2. REPRESENTATIONS, WARRANTIES AND COVENANTS

2.1 The Company represents and warrants to Avaron that, as of the date of this Agreement:

(a) it is a valid and subsisting corporation duly incorporated under the laws of its jurisdiction of incorporation and has full corporate power and authority to execute and deliver this Agreement and to observe and perform its covenants and obligations hereunder and has taken all necessary corporate proceedings and obtained all necessary approvals in respect thereof and, upon execution and delivery of this Agreement by it, this Agreement will constitute a legal, valid and binding obligation of the Company enforceable against it in accordance with its terms except that:

(i) enforceability may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights generally;

(ii) equitable remedies, including the remedies of specific performance and injunctive relief, are available only in the discretion of the applicable court;

(iii) a court may stay proceedings before them by virtue of equitable or statutory powers; and

(iv) rights of indemnity and contribution hereunder may be limited under applicable law;

(b) neither the execution of this Agreement nor the consummation of the transactions contemplated hereby conflict with, result in a breach of or accelerate the performance required by any agreement to which it is a party;

(c) neither the execution of this Agreement nor the consummation of the transactions contemplated hereby, result in a breach of the laws of any applicable jurisdiction or its constating documents;

(d) it is the legal, beneficial and registered owner of the Property and no person has any right or interest to acquire the Property;

(e) Schedule A attached hereto accurately sets out all of its interests in the mining leases comprising the Property;

(f) all of the mining leases constituting the Property have been duly and properly surveyed and have been and are validly held in accordance with applicable laws and regulations;

(g) it has the legal capacity to hold mining leases in Yukon Territory;

(h) Avaron has been provided with true and complete copies of all agreements material to the Property, and there are no existing defaults by the Company, or, to its knowledge, the other parties to such agreements;

(i) it is the legal, beneficial and registered owner of a 100% undivided interest in the Property free and clear of all Encumbrances and has the right to grant an interest in the Property;

(j) subject to applicable laws, it has the exclusive right to conduct mineral exploration on the Property as contemplated by this Agreement;

(k) there has been no act or omission by it, or to its knowledge by anyone else, that could result by notice or lapse of time, or both, in the breach, termination, abandonment, forfeiture, relinquishment or other premature termination of the Property or any of its rights with respect thereto;

(l) the Property is in good standing and no proceedings have been instituted to invalidate or assert an adverse claim or challenge against or to the ownership of or title to the Property, nor is there any basis therefor, and no other person is entitled to an agreement or option to acquire or purchase the Property or any portion thereof, and no person has any royalty or other interest whatsoever, in production from any part of the Property;

(m) the Property has full and free legal access and there is no fact or condition which would result in the interference with or termination of such access;

(n) there are no actions, suits or proceedings pending or to its knowledge, threatened, against or adversely affecting or which could adversely affect the Property before any federal, provincial, territorial, municipal or other governmental authority, court, department, commission, board bureau, agency or instrumentality, domestic or foreign, whether or not insured, and which might involve the possibility of any judgment or liability against the Property;

(o) all work carried out on the Property has been carried out in compliance with all applicable laws, including Environmental Laws, and neither the Company, nor to its knowledge any person, has received any notice of any breach of any such law and it has no knowledge of any facts which would lead a well informed operator in the mining industry to believe there are any environmental liabilities associated with the Property and there are no environmental audits, evaluations, assessments or studies relating to the Property;

(p) it has made full disclosure to Avaron of all relevant information that it possesses which relates to the Property which could have any effect upon Avaron determining whether it shall enter into this Agreement; and

(q) no consent or approval is required to permit the execution and delivery of this Agreement by the Company or the performance of its obligations hereunder.

2.2 Avaron represents and warrants to the Company that as of the date of this Agreement:

(a) it is a valid and subsisting corporation duly incorporated under the laws of its jurisdiction of incorporation and has full corporate power and authority to execute and deliver this Agreement and to observe and perform its covenants and obligations hereunder and has taken all necessary corporate proceedings and obtained all necessary approvals in respect thereof and, upon execution and delivery of this Agreement by it, this Agreement will constitute a legal, valid and binding obligation of the Company enforceable against it in accordance with its terms except that:

(i) enforceability may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally;

(ii) equitable remedies, including the remedies of specific performance and injunctive relief, are available only in the discretion of the applicable court;

(iii) a court may stay proceedings before them by virtue of equitable or statutory powers; and

(iv) rights of indemnity and contribution hereunder may be limited under applicable law;

(b) neither the execution of this Agreement nor the consummation of the transactions contemplated hereby conflict with, result in a breach of or accelerate the performance required by any agreement to which it is a party;

(c) neither the execution of this Agreement nor the consummation of the transactions contemplated hereby, result in a breach of the laws of any applicable jurisdiction or its constating documents.

2.3 As soon as reasonably practicable following the Execution Date, the Company shall file notice of this Agreement and the transaction contemplated herein with the Exchange as an "Exempt Disposition", as that term is defined under the policies of the Exchange. If requested by the Company, Avaron shall assist the Company with providing any additional information or documentation concerning Avaron as may be reasonably required by the Exchange.

2.4 The representations, warranties and covenants hereinbefore set out are conditions on which the Parties have relied in entering into this Agreement and each of the Parties will indemnify and save the other harmless from all loss, damage, costs, actions and suits arising out of or in connection with any breach of any representation, warranty, covenant, agreement or condition made by it and contained in this Agreement. The representations and warranties set out herein shall survive for a period of five years following the Execution Date.

3. ASSOCIATION OF PARTIES

3.1 All transactions, contracts, employments, purchases, operations, negotiations with third parties and any other matter or act undertaken on behalf of the Parties in connection with the Property will be done, transacted, undertaken or performed in the name of the transacting Party only and no Party will do, transact, perform or undertake anything in the name of any other Party or in the joint names of the Parties.

3.2 Except as otherwise expressed in this Agreement, the rights and obligations of the Parties will be, in each case, several, and will not be or be construed to be either joint or joint and several. Nothing contained in this Agreement will, except to the extent specifically authorized hereunder, be deemed to constitute a Party a partner, an agent or legal representative of the other Parties. It is intended that this Agreement will not create the relationship of a partnership among the Parties and that no act done by any Party pursuant to the provisions hereof will operate to create such a relationship.

3.3 Except as specifically provided hereunder:

(a) each Party will be at liberty to engage, for its own account and without duty to account to the other Party, in any other business or activity outside the Property constituted hereby, including the ownership and operation of any other mining permits, licenses, claims and leases wherever located;

(b) no Party will be under any fiduciary or other duty or obligation to the other Party which will prevent or impede such Party from participating in, or enjoying the benefits of, competing endeavours of a nature similar to the business or activity undertaken by the Parties hereunder outside of the Property; and

(c) the legal doctrines of “corporate opportunity” or “business opportunity” sometimes applied to persons occupying a relationship similar to that of the Parties will not apply outside of the Property with respect to participation by any Party in any business activity or endeavour.

3.4 Subject to section 3.5, each Party, in proportion to its Interest at the relevant time, will indemnify and hold the other Party harmless from any claim of or liability to any third person asserted upon the ground that any action taken under this Agreement has resulted in or will result in any loss or damage to such third person, to the extent, but only to the extent, that such claim or liability is paid by the other Party. Prior to earning any Interest, Avaron will indemnify and hold the Company harmless from any claim of or liability to any third person asserted upon the ground that any action taken under this Agreement has resulted in or will result in any loss or damage to such third person, to the extent, but only to the extent, that such claim or liability is paid by the Company, and any such amount when paid to the Company will be included as an Exploration Cost hereunder. The Parties intend that the provisions of this section 3.4 will survive the termination of this Agreement.

3.5 Notwithstanding any other provisions of this Agreement, the Company shall be responsible for, and shall indemnify and hold Avaron harmless from, any claim or liability resulting from breaches of Environmental Laws in respect of the Property existing as at the date of this Agreement from the Company's activities carried out on the Property. Notwithstanding any other provision of this Agreement, Avaron shall be responsible for, and shall indemnify and hold the Company harmless from any claim or liability resulting from any claim or breaches of Environmental Laws in respect of the Property which were a result of Avaron's actions or inactions prior to the termination of this Agreement.

4. THE INITIAL OPTION

4.1 The Company hereby grants to Avaron the exclusive right and option to acquire a 75% Interest in the Property, free and clear of all Encumbrances in accordance with the terms of this Agreement (the "Option"). In connection with the grant of the Option, Avaron shall have the right to enter onto and occupy the Property in order to conduct such activity as is contemplated in this Agreement. Avaron shall comply with the relevant terms of the Company's mining leases relating to the Property and shall indemnify and hold harmless the Company for any claims, losses or damages suffered or incurred by the Company as a result of Avaron's failure to so comply.

4.2 In order for Avaron to acquire a 75% Interest it must:

(a) make a total of $375,000 in cash payments to the Company as annual advance royalties by the fifth anniversary of the Execution Date as set forth in section 4.3;

(b) issue to the Company a total of 800,000 common shares of Avaron by the fifth anniversary of the Execution Date as set forth in section 4.3.

(c) incur Exploration Costs totaling $100,000 by the first anniversary of the Execution Date, which will be a firm commitment by Avaron, and therefore to the extent these Exploration Costs are not incurred within this time period, Avaron will forthwith pay the balance not incurred directly to the Company; further, the Parties intend that the provisions of this subsection 4.2(c) will survive the termination of this Agreement; and

(d) at its sole expense, complete drilling on a total of 35,000 metres in depth, or incur Exploration Costs of up to $7,100,000 in lieu of such drilling (which for greater certainty, includes the $100,000 firm commitment set out in subsection 4.2(c) above), by the fifth anniversary of the Execution Date as set forth in section 4.3.

These obligations must be met in accordance with the schedule set out in this Article 4 in order to keep the Option in good standing.

4.3 In order to keep the Option in good standing and earn a 75% Interest, Avaron shall make payments to the Company by wire transfer or certified cheque in immediately available funds, issue to the Company common shares of Avaron, and incur Exploration Costs, as follows:

(a) pay $25,000 to the Company, and issue to the Company 150,000 common shares of Avaron within five days of the Execution Date;

(b) issue to the Company another 150,000 common shares of Avaron and incur $100,000 in Exploration Costs as a firm commitment pursuant to subsection 4.2(c) above, on or before the first anniversary of the Execution Date;

(c) pay an additional $100,000 to the Company, and at its sole expense, complete drilling at a minimum of 2,500 metres in depth on the Property or incur an additional $625,000 in Exploration Costs in lieu of such drilling, on or before the second anniversary of the Execution Date;

(d) pay an additional $100,000 to the Company and at its sole expense, complete drilling at a minimum of 5,000 metres in depth or incur an additional $1,000,000 in Exploration Costs in lieu of such drilling, on or before the third anniversary of the Execution Date;

(e) pay an additional $50,000 to the Company, issue another 250,000 common shares of Avaron to the Company, and at its sole expense, complete drilling at a minimum of 10,000 metres in depth or incur an additional Cdn$2,000,000 in Exploration Costs in lieu of such drilling, on or before the fourth anniversary of the Execution Date; and

(f) pay an additional $100,000 to the Company, issue 250,000 common shares of Avaron to the Company, and at its sole expense, complete drilling at a minimum of 17,500 metres in depth or incur an additional Cdn$3,375,000 in Exploration Costs in lieu of such drilling, on or before the fifth anniversary of the Execution Date.

4.4 Upon Avaron making the cash payments, issuing common shares to the Company and incurring the Exploration Costs, all as set forth in sections 4.2 and 4.3, it will have been deemed to have acquired a 75% Interest, free and clear of all Encumbrances with no further action required by it.

4.5 Other than the $100,000 firm commitment in Exploration Costs pursuant to subsection 4.2(c) above, the making of cash payments and share issuances to the Company, and incurring of Exploration Costs described in sections 4.2 and 4.3 are at Avaron's option only, but nonetheless are required to keep the Option in good standing and accordingly are not firm and binding commitments of Avaron.

4.6 Within 30 days of the Execution Date, the Company shall deliver to Avaron a memorandum of agreement for notice to third parties of this Agreement that Avaron may register in respect of the Property.

4.7 Any common shares issuable by Avaron to the Company hereunder will be issued in accordance with applicable securities laws, and will be issued as fully paid and non-assessable common shares, free of any trading restrictions, except for such escrow or resale restrictions as may be imposed by applicable securities laws or the policies of the Exchange. Such common shares of Avaron will be issued as its capital is constituted on the Execution Date, and will be subject to adjustment in the event of any reorganization or reclassification of the capital of Avaron, including any subdivision or consolidation, or any reorganization, amalgamation, arrangement or merger with or into any other corporation, or in the event of any payment by Avaron of a stock dividend. As a condition of such reclassification or reorganization of capital, subdivision, consolidation, amalgamation, arrangement, merger, or payment of a stock dividend, the number of common shares of Avaron to be issued to the Company hereunder shall be adjusted and lawful and adequate provision shall be made whereby the Company shall thereafter have the right to receive upon the basis and upon the terms and conditions specified in this Agreement and in lieu of the common shares of Avaron issuable hereunder, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for the number of common shares of Avaron issuable hereunder, had such reclassification or reorganization of capital, subdivision, consolidation, amalgamation, arrangement or merger, or payment of a stock dividend not taken place.

4.8 Notwithstanding anything else contained in this Agreement, Avaron shall have the right to terminate this Agreement at any time upon written notice, provided that Avaron will thereby forfeit any right, title or Interest in and to the Property, and will immediately reconvey title and return possession of the Property to the Company at the sole expense of Avaron. In the event of such termination, Avaron shall not be responsible for any further cash payments, share issuances or Exploration Costs, other than the $100,000 firm commitment of Exploration Costs pursuant to subsection 4.2(c) above. The Parties intend that the provisions of this section 4.8 will survive the termination of this Agreement.

4.9 Upon Avaron earning a 75% Interest in the Property in accordance with section 4.4, Avaron may elect to earn an additional 25% Interest in the Property pursuant to Article 5, or may elect to form a joint venture in accordance with section 6.4.

5. THE ADDITIONAL OPTION & ALTERNATIVE ADDITIONAL OPTION

5.1 At any time from the fifth anniversary of the Execution Date until the date that is six months following the fifth anniversary of the Execution Date, Avaron may decide to proceed to Commercial Production (the "Production Decision").

5.2 Subject to Avaron making the Production Decision, and provided that the Option has been exercised, the Company hereby grants to Avaron the exclusive right and option to acquire an additional 25% Interest in the Property, free and clear of all Encumbrances in accordance with the terms of this Agreement (the "Additional Option"). In connection with the grant of the Additional Option, Avaron shall have the right to enter onto and occupy the Property in order to conduct such activity as is contemplated in this Agreement. Avaron shall comply with the relevant terms of the Company's leases of the Property and shall indemnify and hold harmless the Company for any claims, losses or damages suffered or incurred by the Company as a result of Avaron's failure to so comply. The Parties intend that this indemnity will survive the termination of this Agreement.

5.3 In order for Avaron to acquire an additional 25% Interest pursuant to the Additional Option it must:

(a) make a Production Decision within six (6) months following the fifth anniversary of the Execution Date;

(b) commence Commercial Production by the third anniversary of the Production Decision;

(c) pay $200,000 to the Company within five days of the Production Decision, as an advance royalty payment; and

(d) subject to section 5.4 below, pay $200,000 to the Company on or before each of the second, third, fourth and fifth anniversaries of the Production Decision, as advance royalty payments.

These obligations must be met in accordance with the schedule set out in this Article 5 in order to keep the Additional Option in good standing.

5.4 If Commercial Production occurs at any time before the fifth anniversary of the Production Decision, no additional payments pursuant to section 5.3 are due from Avaron to the Company and Avaron shall grant the Net Smelter Royalty to the Company pursuant to section 7.1.

5.5 Upon Avaron making the cash payments as set forth in section 5.3, it will have been deemed to have acquired a 25% Interest free and clear of all Encumbrances with no further action required by it.

5.6 The making of cash payments described in section 5.3 are at Avaron's option only but nonetheless are required to keep the Additional Option in good standing and accordingly are not firm and binding commitments of Avaron.

5.7 Within 30 days of the Execution Date, the Company shall deliver to SBH Fiduciary Services Ltd., as escrow agent (the "Escrow Agent"), undated registerable transfers in relation to the Property in favour of Avaron, in a form approved by Avaron, and such transfer documents shall be held by the Escrow Agent in trust and will not be released to Avaron for registration until Avaron has completed the acquisition of the 75% interest in the Property or the remaining 25% interest in the Property, as the case may be. Concurrently with the execution of this Agreement, the Parties agree to execute and deliver escrow instructions to the Escrow Agent for the deposit of the transfers into escrow and the release conditions.

5.8 As an alternative to the Additional Option, provided that the Option has been exercised, the Company hereby grants to Avaron the exclusive right and option to acquire an additional 25% Interest in the Property, free and clear of all Encumbrances in accordance with the terms of this Agreement (the **"Alternative Additional Option"**). In connection with the grant of the Alternative Additional Option, Avaron shall have the right to enter onto and occupy the Property in order to conduct such activity as is contemplated in this Agreement. Avaron shall comply with the relevant terms of the Company's leases of the Property and shall indemnify and hold harmless the Company for any claims, losses or damages suffered or incurred by the Company as a result of Avaron's failure to so comply. The Parties intend that this indemnity will survive the termination of this Agreement. In order for Avaron to acquire an additional 25% Interest pursuant to the Alternative Additional Option it must:

(a) pay $100,000 to the Company on or before each of the sixth and seventh anniversaries of the Execution Date, as advance royalty payments;

(b) issue to the Company 250,000 common shares of Avaron on or before each of the sixth and seventh anniversaries of the Execution Date; and

(c) at its sole expense, complete drilling at a minimum of an additional 10,000 metres in depth on the Property or incur an additional Cdn$2,000,000 in Exploration Costs in lieu of such drilling, on or before the seventh anniversary of the Execution Date.

(d) Upon Avaron satisfying the obligations set out in this section 5.8 it will have been deemed to have acquired an additional 25% Interest free and clear of all Encumbrances with no further action required by it. For greater certainty, the obligations in this section 5.8 are at Avaron's option only but nonetheless are required to keep the Alternative Additional Option in good standing and accordingly are not firm and binding commitments of Avaron.

6. EXPLORATION

6.1 Avaron will be the Operator during the term of this Agreement.

6.2 The Operator shall incur such Exploration Costs, in addition to those contemplated in Article 4, as it deems prudent or advisable.

6.3 Avaron shall be solely responsible for funding the Exploration Costs up until the termination of this Agreement.

6.4 If Avaron does not make the Production Decision, but Avaron has exercised the Option, or the Additional Option or the Alternative Additional Option is not exercised by Avaron for any reason, but Avaron has exercised the Option, then the Parties covenant and agree to negotiate in good faith and forthwith execute and deliver a joint venture agreement on standard industry terms, including the summary of the essential terms set out in Schedule B for the further exploration and development of the Property.

7. ROYALTY

7.1 Upon Avaron acquiring a 100% Interest in the Property free and clear of all Encumbrances, Avaron shall grant to the Company a 2.5% Net Smelter Royalty as described in Schedule C. All advance royalty payments made to the Company pursuant to subsections 5.3(c) and (d) and section 5.8 above will be credited towards Avaron's payment of the Net Smelter Royalty.

7.2 At any time Avaron may purchase all of the Net Smelter Royalty, by notice of such election to the Company and by paying to the Company $2,000,000 and issuing to the Company an additional 375,000 common shares of Avaron, as its capital is constituted on the Execution Date. The $2,000,000 cash payment will be increased by $1,000,000 per each $10/oz increase in the market price of silver and silver equivalent. The incremental unit market price increase will be based on the fair market price of the Product on the date of signing this Agreement, as determined under Schedule C. The overall Net Smelter Return buy-out payment will be capped at $4,000,000. Where in this Agreement, "silver equivalent" means the following:

Silver equivalent = (mineral grade X mineral recovery X Mineral Price Quotation) / (silver Mineral Price Quotation)

8. AUTHORITY, DUTIES AND OBLIGATIONS OF THE OPERATOR

8.1 The Operator of the Property will have full authority to do everything necessary or desirable in accordance with good mining practice in connection with the day-to-day exploration, development or operation of the Property or the applicable part thereof.

8.2 Without limiting the generality of section 8.1, the Operator shall have the following duties and obligations:

(a) to manage, direct and control all exploration, development and production operations in, on and under the Property, in a prudent and workmanlike manner, and in compliance with all applicable laws, rules, orders and regulations of Yukon Territory and applicable federal laws;

(b) to provide to the Company for each three months during which any Exploration Costs have been incurred written progress reports showing the work carried out and the results obtained, and an immediate report of any significant results or discovery;

(c) to provide the Company with copies of all sample location maps, drill hole assay logs, assay results and other technical data, including technical reports, compiled by or on behalf of the Operator with respect to the Property;

(d) to perform its duties and obligations in a manner consistent with good exploration and mining practices;

(e) to maintain the Property in good standing, including the payment of all taxes and maintenance charges, the cost of which may be credited to Exploration Costs;

(f) to provide administrative and technical assistance and facilities necessary to support the exploration activities;

(g) to transact, undertake and perform all necessary transactions, contracts, employments, purchases, operations, negotiations with third parties and any other matter or thing undertaken on behalf of the Parties but in the Operator's name only;

(h) to permit each Party or its representatives duly appointed in writing, at its own expense and risk, access to the Property, and all data derived from carrying out work hereunder;

(i) to arrange for and maintain workers' compensation or equivalent coverage for all eligible employees engaged by it in accordance with local statutory requirements;

(j) to obtain, maintain and keep in force during the term of this Agreement the following insurance coverages (and to provide the Company with a certificate of insurance which shows the Company as a named insured on the policy):

(i) commercial general liability insurance coverage against third party claims for bodily injury and property damage arising from the operations of Avaron with a limit of $5 million; and

(ii) statutory insurance coverage and $2 million of automobile liability insurance coverage on any licensed vehicles on the Property that Avaron operates, owns or leases,

and to provide 30 days written notice to the Company prior to cancelling or amending any such insurance; and

(k) to take all action and precautions reasonably necessary to protect and secure the Assets and in particular, without limiting the foregoing, store all drill core at a suitable facility.

(l) The Operator is responsible for securing all permits for the exploration and production programs and all reclamation work and bonding requirements as stipulated in the permit conditions issued by the Yukon Territory Government.

8.3 In carrying out its exploration activities and incurring Exploration Costs on the Property, Avaron shall maintain in good standing all mining leases comprising the Property by the payment of all taxes and rentals and the performance of all other actions which may be necessary in that regard and to keep such mining leases free and clear of all liens and other charges arising from Avaron's activities thereon except those at the time contested in good faith by Avaron. Avaron may use assessment work credits in respect of the Property where the maximum lease renewal term has been obtained. Such excess credits that are not required for any application for the renewal term for the Property can be used at Avaron's discretion on any ground adjacent to the Property without obligations under this Agreement.

9. SHARING OF AND CONFIDENTIAL NATURE OF INFORMATION

9.1 No Party will make any public statement or issue any press release concerning the transactions contemplated herein without the consent of the other Parties which consent shall not be unreasonably withheld. The Party making such disclosure will consult with the other Parties prior to making any statement or press release and the Parties will use all reasonable efforts, acting expeditiously and in good faith, to agree upon a text for such statement or release which is satisfactory to each of them within two business days. If the Parties fail to agree upon such text, the Party making the disclosure will make only such public statement or release as its counsel advises in writing is legally required to be made or is otherwise reasonable in the circumstances.

9.2 The Parties further agree that this Agreement will not be provided to any third party or used other than for the activities contemplated hereunder except as required by law or by the rules and regulations of any regulatory authority or stock exchange having jurisdiction (in which case the Party being compelled to disclose such information shall to the extent practical give the other Party an opportunity to review and provide reasonable comments on the disclosure), or with the written consent of the other Party, such consent not to be unreasonably withheld.

9.3 Consent to disclosure of information pursuant to Article 9 will not be unreasonably withheld where a Party wishes to disclose any such information to a third party for the purpose of arranging financing, entering into a corporate transaction or for the purpose of selling its Interest or its rights as contemplated in this Agreement, provided that such third party first enters into a written agreement with the other Party that any such information not theretofore publicly disclosed will be kept confidential and not disclosed to others on terms satisfactory to the other Party acting reasonably.

10. NOTICES

10.1 Any notice, direction or other instrument required or permitted to be given under this Agreement will be in writing and may be given by the delivery of the same or by mailing the same by prepaid registered or certified mail or by sending the same by telecommunication, facsimile, e-mail or other similar form of communication, in each case addressed as follows:

(a) If to the Company at:

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

Attention: David Wolfin, President
Facsimile No.: 604 682-3600
E-mail: dwolfin@oniva.ca

(b) If to Avaron at:

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

Attention: Miloje Vicentijevic, President
Facsimile No.: 604 682-3600
E-mail: mgvicent@telusplanet.net

10.2 Any notice, direction or other instrument will:

(a) if delivered, be deemed to have been given and received on the day it was delivered; and

(b) if sent by telecommunication, facsimile, e-mail or other similar form of communication, be deemed to have been given and received on the business day following the day it was so sent.

10.3 A Party may at any time give to the other Party notice in writing of any change of address of the Party giving such notice and from and after the giving of such notice the address or addresses therein specified will be deemed to be the address of such Party for the purposes of giving notice hereunder.

11. TERMINATION

11.1 Other than the provisions of this Agreement which explicitly survive termination, this Agreement will terminate upon the occurrence of the earliest of:

(a) the written agreement by the Parties to terminate;

(b) the failure by Avaron to fulfill its obligations under Articles 4 and 5 (subject to Articles 12 and 13); and

(c) Avaron's termination of this Agreement pursuant to section 4.8.

12. FORCE MAJEURE

12.1 Except in the case of a lack of funds, the obligations of a Party shall be suspended to the extent and for the period that performance is prevented by any cause, whether foreseeable or unforeseeable, beyond its reasonable control, including without limitation, labour disputes (however arising and whether or not employee demands are reasonable or within the power of the Party to grant); acts of God; laws, instructions or requests of any government or governmental entity; judgments or orders of any court; inability to obtain on reasonably acceptable terms any public or private licence, permit or other authorization; curtailment or suspension of activities to remedy or avoid an actual or alleged, present or prospective violation of Environmental Laws; action or inaction by any federal, provincial or local agency that delays or prevents the issuance or granting of any approval or authorization required to conduct operations beyond the reasonable expectations of the Party seeking the approval or authorization; acts of war or conditions arising out of or attributable to war, whether declared or undeclared; riot; civil strife, terrorism, insurrection or rebellion; fire, explosion, earthquake; delay or failure by suppliers or transporters of materials, parts, supplies, services or equipment or by contractors' or subcontractors' shortage of, or inability to obtain, labour, transportation, materials, machinery, equipment, supplies, utilities or services; accidents; breakdown of equipment, machinery or facilities; actions by native rights groups, environmental groups, or other similar special interest groups; or any other cause whether similar or dissimilar to the foregoing (an "Intervening Event").

12.2 A Party relying on the provisions of section 12.1 will promptly give written notice to the other Party of the particulars of the Intervening Event and all time limits imposed by this Agreement will be extended from the date of delivery of such notice by a period equivalent to the period of delay resulting from an Intervening Event.

12.3 A Party relying on the provisions of section 12.1 will take all reasonable steps to eliminate any Intervening Event and, if possible, will perform its obligations under this Agreement as far as commercially practical, but nothing herein will require such Party to settle or adjust any labour dispute or to question or to test the validity of any law, rule, regulation or order of any duly constituted governmental authority or to complete its obligations under this Agreement if an Intervening Event renders completion commercially impracticable. A Party relying on the provisions of section 12.1 will give written notice to the other Party as soon as such Intervening Event ceases to exist.

13. DEFAULT

13.1 Notwithstanding anything in this Agreement to the contrary, if any Party (a "Defaulting Party") is in default of any requirement herein set forth the Party or Parties affected by such default will give written notice to the Defaulting Party specifying the default and the Defaulting Party will not lose any rights under this Agreement, unless within 30 days after the giving of the first notice of default by an affected Party the Defaulting Party has failed to take reasonable steps to cure the default by the appropriate performance and if the Defaulting Party fails within such period to take reasonable steps to cure any such default, the affected Party will be entitled to seek any remedy it may have on account of such default including terminating this Agreement and/or seeking the remedies of specific performance, injunction or damages.

14. GENERAL

14.1 The Parties will execute such further and other documents and do such further and other things as may be necessary or convenient to carry out and give effect to the intent of this Agreement, including in connection with engaging the services of the Escrow Agent.

14.2 Time will be of the essence in the performance of this Agreement.

14.3 This Agreement may be assigned by either Party only in compliance with the provisions set forth herein, and will enure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns. In the event that Avaron wishes to sell, transfer or assign its rights and obligations under this Agreement to any third party, such sale, transfer or assignment will not be binding upon the Company until notice of such sale, transfer or assignment has been delivered to the Company, and the purchaser, transferee or assignee has agreed to be bound by the terms of this Agreement, and provided that the obligation of Avaron to issue its common shares to the Company under sections 4.3 and 7.2 above is not transferable or assignable without the prior written consent of the Company and adequate provision being made acceptable to the Company for the issuance of equivalent securities or assets to the Company.

14.4 This Agreement (including the Schedules thereto) constitutes the entire agreement between the Parties and, except as hereafter set out, replaces and supersedes all prior agreements, memoranda, correspondence, communications, negotiations and representations, whether oral or written, express or implied, statutory or otherwise between the Parties with respect to the subject matter herein. There are no implied covenants contained in this Agreement other than those of good faith and fair dealing.

14.5 This Agreement will be governed by and construed according to the laws of British Columbia and the federal laws of Canada applicable therein.

14.6 This Agreement may only be amended by the written agreement of all the Parties hereto and their permitted successors and assigns.

14.7 This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but each of which shall constitute one and the same instrument. This Agreement may also be executed and delivered by any Party by sending a faxed, e-mail or any other form of telecommunicated copy to the other Party, which when so delivered shall be considered for all purposes to be good delivery, as if it were an original signature of that Party.

IN WITNESS WHEREOF the Parties hereto have executed these presents as of the day and year first above written.

AVINO SILVER & GOLD MINES LTD.

By: */s/ David Wolfin*
Name: David Wolfin
Title:

AVARON MINING CORP.

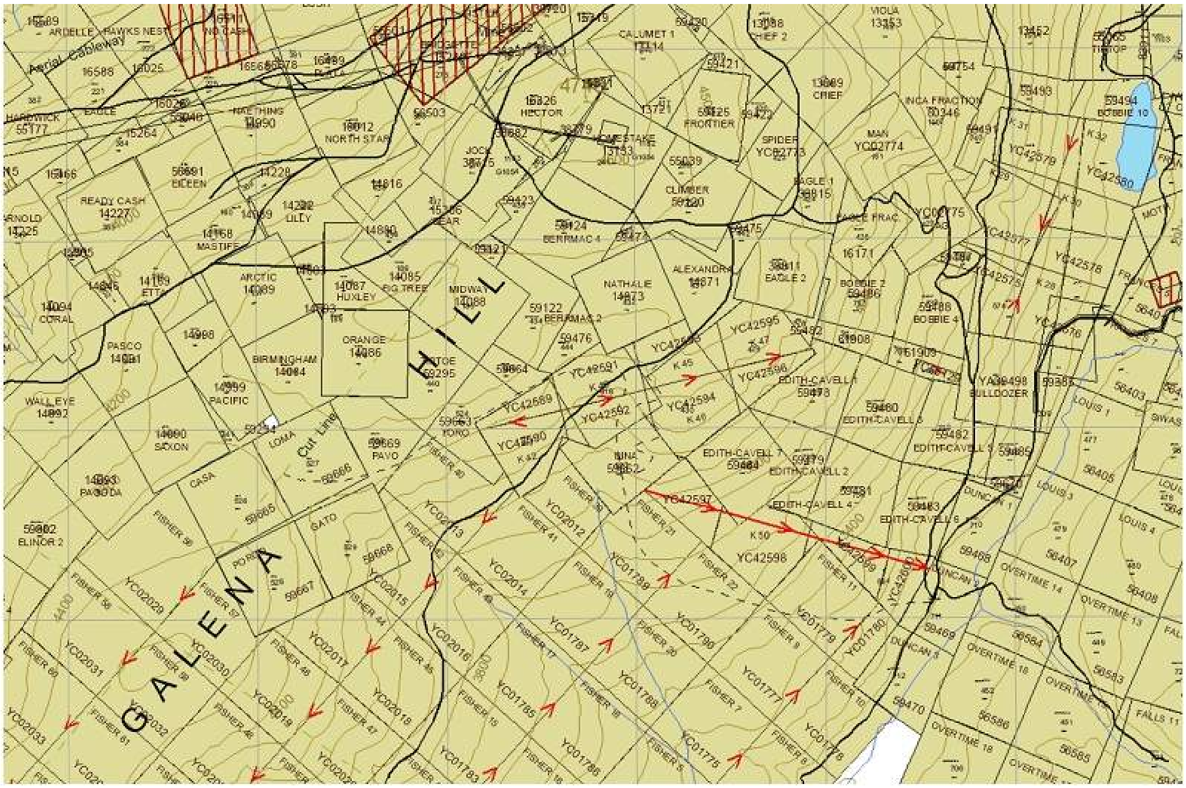
By: */s/ Miloje Vicentijevic*
Name: Miloje Vicentijevic
Title

SCHEDULE A

Description of Property

AVINO SILVER & GOLD MINES LTD. – EAGLE PROPERTY MINING LEASES, YUKON

District	Grant Number	Reg Type	Quartz Lease	Claim Name	Claim Owner	Operation Recording Date	Claim Expiry Date	NTS Map Number
Mayo	14871	Quartz	NM00113	ALEXANDRA	Avino Silver and Gold Mines Ltd. - 100%.	10/12/1923	4/29/2021	105M14
Mayo	14873	Quartz	NM00114	NATHALIE	Avino Silver and Gold Mines Ltd. - 100%.	10/12/1923	4/29/2021	105M14
Mayo	16171	Quartz	NM00115	EAGLE FRAC.	Avino Silver and Gold Mines Ltd. - 100%.	7/13/1926	4/29/2021	105M14
Mayo	38811	Quartz	NM00116	EAGLE 2	Avino Silver and Gold Mines Ltd. - 100%.	11/12/1934	4/29/2021	105M14
Mayo	38815	Quartz	NM00117	EAGLE 1	Avino Silver and Gold Mines Ltd. - 100%.	11/14/1934	4/29/2021	105M14
Mayo	55482	Quartz	NM00118	JEAN	Avino Silver and Gold Mines Ltd. - 100%.	1/24/1947	4/29/2021	105M14
Mayo	59662	Quartz	NM00119	NINA	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14
Mayo	59663	Quartz	NM00120	TORO	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14
Mayo	59664	Quartz	NM00121	PERO	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14
Mayo	59665	Quartz	NM00122	CASA	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14
Mayo	59666	Quartz	NM00123	LOMA	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14
Mayo	59667	Quartz	NM00124	PORCO	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14
Mayo	59668	Quartz	NM00125	GATO	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14
Mayo	59669	Quartz	NM00126	PAVO	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14



Eagle Property, Galena Hill, Yukon – NTS 105M/14

SCHEDULE B

Summary of Joint Venture Agreement Terms

1. Definitions

- as applicable

2. Representations and Warranties

- due incorporation
- power and authority
- ownership and title to assets
- no adverse claim

3. Purpose and Creation of the Joint Venture

- best efforts to explore and develop property
- joint venture does not create partnership
- rights and obligations several and not joint or joint and several
- beneficial ownership in proportion to respective interest
- rights and obligations of parties strictly limited to the applicable joint venture property

4. Dilution

- initial deemed contributions and investment in proportion to each Party's initial Interest (initially, 75% to Avaron - $7.5 million, and 25% to the Company - $2.5 million)
- dilution of initial Interests based on proportionate funding of future costs
- reduction of Interest below 10% results in loss of Interest, in consideration of a Net Smelter Royalty of 3% without any buy-down provisions

5. Executive Committee

- Two representatives and one alternate representative for each Party, with chairperson designated by Avaron and having casting vote in the event of a deadlock
- votes equal percentage Interest in the Property from time to time
- quorum equal to one representative of each Party

6. Operator

- Avaron is operator at all times during the currency of the joint venture and afterwards as long as it holds at least a 50% Interest
- indemnification to the Party who is not the operator for non-negligent activities
- monthly reports from Operator to the other Party

7. Power, Duties and Obligations of Operator

- standard

8. Programs

- expenditures incurred pursuant to work programs approved by majority of Executive Committee members
- submission of proposed program within 60 days of completion of previous work programs
- 60 days to elect to participate in a program
- minimum 6 month, maximum 12 month budget program periods

9. Accounting Procedures

- cash calls
- administration overhead allowance 10% exploration, 3% development, 1.5% mining

10. Information and Data

- joint access to Property and project data/materials

11. Partition

- no partition

12. Right of First Refusal

- standard

13. Royalty

- Net Smelter Royalty general terms as defined in Schedule C, but as specifically amended by the terms hereof

14. Force Majeure

- standard

15. Notice

- similar to Article 10 of Option Agreement

16. Waiver

- standard

17. Further Assurances

- standard

18. Use of Name

- no use of name of other Party

19. Entire Agreement

- standard

20. Amendment

- in writing

21. Dispute

- The courts of British Columbia

22. Right to Audit

- Party to the Joint Venture Agreement acquiring a net smelter royalty has the right to audits

23. Document Retention on Termination

- standard

24. Enurement

- standard

25. Governing Law

- Province of British Columbia and the federal laws of Canada applicable therein

26. Severability

- standard

27. Number and Gender

- standard

28. Headings

- standard

29. Time of Essence

- standard

30. Regulatory Approval

- standard

31. Assignment

- consent of Party required of assignment by other Party, except if assignment being made to an Affiliate of the other Party as defined in the *Securities Act* (British Columbia) and provided such Affiliate agrees in writing to be bound by the terms of the Joint Venture Agreement

SCHEDULE C

Net Smelter Royalty

DEFINITION, CALCULATION AND PAYMENT OF NET SMELTER ROYALTY

The Net Smelter Royalty is the percentage provided in this Schedule attached and calculated and paid by Payor (as defined below) to the Royalty Holder (as defined below) in accordance with the following provisions:

1. Definitions

Unless otherwise set forth below, all capitalized terms used in this Schedule shall have the meaning ascribed to them in the Agreement.

"**Calendar Quarter**" means each three-month period ending March 31st, June 30th, September 30th and December 31st of each calendar year.

"**Mineral Content**" means all marketable ores, concentrates, metals and minerals contained in Subject Ore as separately estimated by the Payor using head grade or assays taken prior to entering mill or heap leach facilities, mill or heap leach operation recovery levels, and recoveries and other adjustments at the refinery, as key components in the calculation of Mineral Content.

"**Mineral Price Quotation**" for a Product means the final sale price as quoted for the Product on the London Metals Exchange, as published in *Metals Week* or a similar publication. If publication of the final quotation on the London Metals Exchange shall be discontinued, the parties shall select a comparable commodity quotation for purposes of calculating the Net Smelter Returns. If such selection has not been completed prior to the end of the calendar month following the month in which the quotation is discontinued, the average quotation for the calendar month in which the quotation is discontinued shall be used on an interim basis pending such selection.

"**Net Smelter Returns**" for a Calendar Quarter in respect of all of the Product means the sum of (i) for each of the Products, the average Mineral Price Quotation for the Product for a Calendar Quarter multiplied by the total number of appropriate units of measurement of the Product beneficiated by the Payor or credited by the smelter, refiner or other bona fide purchaser to the Payor during that Calendar Quarter; less (ii) the deductions, adjustments and credits set forth in Section 3.

"**Net Smelter Royalty**" means Two Point Five Percent (2.5%) of Net Smelter Returns.

"**Payor**" means the Party who produces and sells Products from the Property from which the Royalty Holder is entitled to a Royalty as provided in the agreement.

"**Product**" shall mean Subject Ore at its highest stage of processing.

"**Property**" shall have the definition provided in the Agreement.

"**Royalty Holder**" means the Party or its successors or assigns that becomes entitled to a Royalty, as provided in the Agreement.

"**Smelter Returns**" for a Calendar Quarter in respect of all of the Products means, for each of the Products, the average Mineral Price Quotation for the Product for a Calendar Quarter multiplied by the total number of appropriate units of measurement of the Product beneficiated by the Payor or credited by the smelter, refiner or other bona fide purchaser to the Payor during that Calendar Quarter.

"**Subject Ore**" means all ore mined by the Payor from the Property.

2. Reservation of Royalty

The Payor shall pay and the Royalty Holder shall be entitled to receive as the royalty, 2.5% of Net Smelter Returns.

3. NSR Deductions

In calculating the Net Smelter Royalty, the Payor shall be entitled to deduct from Smelter Returns the following costs, to the extent incurred and borne by the Payor:

(a) all smelting, minting and refining costs, and treatment charges and penalties at the smelter or refinery including, but without being limited to, deductions charged for metal losses and penalties for impurities;

(b) all costs of transporting the Products from the Property to a smelter, mint or refinery including, without restricting the generality of the foregoing, any and all costs of insurance in respect thereto;

(c) all sampling, assaying and representation charges in connection with sampling and assaying carried out after the Products have left the Property;

(d) costs and expenses, if any, of marketing the Products, other than gold; and

(e) taxes levied by any government on the value of Products produced or sold, but excluding income taxes if such charges are actual costs payable out of the proceeds received from a bona fide purchaser or are shown as deductions therefrom.

4. General Provisions

(a) Arm's Length Provision

If smelting and/or refining are carried out in facilities owned or controlled by the Payor, charges, costs and penalties for such operations, including transportation, shall mean the amount that the Payor would have incurred if such operations were carried out at facilities not owned or controlled by the Payor then offering similar custom services for comparable products on prevailing terms.

(b) Payment of the Royalty

All royalty or provisional royalty payments will be payable on or before the 30th day following each Calendar Quarter. Each such quarterly payment to the Royalty Holder shall be accompanied by a statement in reasonable detail showing the calculation of the payment. Each such quarterly payment shall be subject to adjustment as provided below in the next quarterly payment or when the final report for the year is issued as specified below.

(c) Provisional Payments

If any payment becomes due and payable to the Royalty Holder prior to the Payor's final estimates of the total amount payable, then the Payor shall pay the Royalty Holder a provisional royalty payment using the Payor's then current estimates of the amount payable for Products produced during the Calendar Quarter.

(d) Adjustments

The following adjustments shall be taken into account in determining the royalty payments or provisional royalty payments and shall be specified in a statement which will accompany each payment:

(i) All payments made by the Payor to the Royalty Holder pursuant to Articles 4 and 5 of the Agreement shall be applied as credits toward the payment of the Net Smelter Royalty;

(ii) Any adjustments to charges, costs, deductions or expenses imposed upon or given to the Payor but not taken into account in determining previous royalty payments;

(iii) Any adjustments in the number of appropriate units of measurement of Products, beneficiated by the Payor, or previously credited to the Payor by a smelter, refiner or bona fide purchaser of Products shipped or sold by the Payor;

(iv) Any adjustments in Mineral Content and average percentage recovery; and

(v) Any payments that have not otherwise been credited against previous royalty payments.

(e) Annual Final Report

Within 90 days after the end of each calendar year, the Payor shall deliver or cause to be delivered to the Royalty Holder a final report for the year certified as being accurate by a responsible officer of the Payor showing in reasonable detail the calculation of the royalty due the Royalty Holder for the prior year and all adjustments to the quarterly or other periodic reports and payments for the year. With such final report, the Payor shall, if applicable, make such additional royalty payment as is required by the report. If such report indicates that the Royalty Holder has received more than it should have been paid in respect of the royalty due to the Royalty Holder, then the excess shall be deducted from the next payment obligation owed pursuant to the provisions of this Schedule or, in the event of a temporary or permanent cessation of production, the Royalty Holder shall repay the excess within 15 days of the annual report.

(f) Assignment by Payor

Upon any assignment, conveyance, termination or abandonment of the Property or any portion thereof, as the case may be, by the Payor, the Payor shall have no further obligation to the Royalty Holder in respect of the Property or such portion, as the case may be; provided that, in the case of assignment or conveyance, it shall be a condition of any assignment or conveyance that the assignee or transferee shall have agreed to assume the Payor's obligation to the Royalty Holder to pay the royalty in respect of that portion of the Property acquired by such assignee or transferee.

(g) Assignment by Royalty Holder

Notwithstanding anything to the contrary herein contained, if any part of the right to receive the Royalty is assigned by the Royalty Holder, it shall be a condition of such assignment that the assignee agrees with the Payor and all other parties entitled to receive any part of the Royalty as follows:

(i) the amount of any royalty payable hereunder shall be settled only with the Royalty Holder or an authorized nominee (herein collectively called the "Nominee") as designated by notice to the Payor (such notice to be executed by all parties entitled to receive any part of the Royalty), and such settlement shall be final and binding upon all interested parties and the Payor shall not be required to make any accounting to any person save such Nominee;

(ii) payment of the royalty shall be made only to or to the order of the Nominee "In Trust" and such payment shall constitute a full and complete discharge to the Payor and it shall have no obligation to see to the distribution of any such payment;

(iii) the Payor may settle disputes arising hereunder with the Nominee and such settlement shall be final and binding upon all interested parties;

(iv) the Payor may rely upon any direction, advice or authorization signed by the Nominee and may act thereon as if the same was signed by all interested parties; and

(v) the Payor shall not be required to deal with any person except the Nominee. Each interested party shall exercise all of their respective rights only through the Nominee and shall require each of their respective assignees to agree in writing to be bound by the provisions hereof.

(h) Royalty Running With the Property

The Net Smelter Royalty created herein shall be a real property interest in all portions of the Property to which the royalty applies sufficient to secure the royalty payments herein provided.

(i) Purchase of Net Smelter Royalty

The Payor may at any time purchase all of the Net Smelter Royalty pursuant to the terms of the Agreement. In the event of any such purchase, the Net Smelter Royalty will be adjusted commencing on the first day of the next Calendar Quarter.

(j) Abandonment

In the event Payor intends to abandon any of the lands comprising a portion or all of the Property ("Abandonment Property"), Payor shall first give notice of such intention to Royalty Holder at least 70 days in advance of the proposed date of abandonment. If not later than 10 days before the proposed date of abandonment Payor receives from Royalty Holder written notice that Royalty Holder desires Payor to convey the Abandonment Property to Royalty Holder, Payor shall, without additional consideration, convey the Abandonment Property in good standing by quit claim deed, without warranty, to Royalty Holder and shall thereafter have no further obligation to maintain the title to the Abandonment Property. If Royalty Holder does not timely give such notice to Payor, Payor may abandon the Abandonment Property and shall thereafter have no further obligation to maintain the title to the Abandonment Property; provided, however, if Payor reacquires any of the ground covered by the Abandonment Property at any time within five (5) years following abandonment, Minerals previously or thereafter produced from such ground shall be subject to this Agreement.

EXHIBIT 4.7

OPTION PURCHASE AND ASSIGNMENT AGREEMENT

THIS AGREEMENT is made effective as of the 30th day of November, 2012

AMONG:

BENZ CAPITAL CORP., a company incorporated under the laws of British Columbia, having an office at #900, 570 Granville Street, Vancouver, British Columbia, Canada V6C 3P1

("**Benz**")

AND:

AVARON MINING CORP., a company incorporated under the laws of British Columbia, having an office at #900, 570 Granville Street, Vancouver, British Columbia, Canada V6C 3P1

("**Avaron**")

AND:

AVINO SILVER & GOLD MINES LTD., a company incorporated under the laws of British Columbia, having an office at #900, 570 Granville Street, Vancouver, British Columbia, Canada V6C 3P1

("**Avino**")

WHEREAS:

A. Benz is a capital pool company within the meaning of Policy 2.4 (the "**CPC Policy**") of the Corporate Finance Manual of the TSX Venture Exchange (the "**Exchange**");

B. Avaron and Avino have entered into an Option Agreement dated January 3, 2012, as amended by and Amending Agreement dated November 22, 2012 (collectively, the "**Option Agreement**"), wherein Avaron has the sole and irrevocable option (the "**Option**") to acquire from Avino up to an undivided 100% right, title and interest in and to certain mineral mining leases in the Mayo District in the Yukon Territory, as more particularly described in Schedule "A" hereto (collectively, the "**Property**");

C. Avaron wishes to assign to Benz and Benz wishes to purchase, all of Avaron's right, title and interest in and to the Option Agreement and the Property in accordance with the terms of this Agreement (the "**Option Purchase and Assignment**");

D. Avino has agreed to provide its consent to the Option Purchase and Assignment; and

E. The Option Purchase and Assignment is intended to serve as the Qualifying Transaction (the "**Qualifying Transaction**") of Benz pursuant to Policy 2.4 – *Capital Pool Companies* ("**Policy 2.4**") of the TSX Venture Exchange (the "**Exchange**").

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereto covenant and agree as follows:

ARTICLE I
DEFINITIONS

1.1 The following terms shall have the following meanings:

(a) "**Agreement**" means this agreement, including the recitals and all Schedules to this agreement, as amended or supplemented from time to time, and "**hereby**", "**hereof**", "**herein**", "**hereunder**", "**herewith**" and similar terms refer to this Agreement and not to any particular provision of this Agreement;

(b) "**Applicable Laws**" means applicable corporate and securities laws, regulations and rules, all policies thereunder and rules of applicable stock exchanges;

(c) "**Arbitrator**" has the meaning set out in Section 18.1;

(d) "**Assignment Shares**" means the 50,000 Common Shares to be allotted and issued by Benz to Avino on the Closing Date in consideration for the Avino Consent;

(e) "**Avaron**" has the meaning ascribed thereto in the recitals to this Agreement;

(f) "**Avaron Shares**" means the common shares of Avaron issuable to Avino under the Option Agreement;

(g) "**Avino**" has the meaning ascribed thereto in the recitals to this Agreement;

(h) "**Avino Consent**" has the meaning set out in Section 5.2;

(i) "**Benz**" has the meaning ascribed thereto in the recitals to this Agreement;

(j) "**Closing**" has the meaning set out in Section 15;

(k) "**Closing Date**" means the date of Closing of the transactions contemplated under Sections 16.1 and 17.1 herein, or such other date to which the Parties may agree, subject to Section 15;

(l) "**Closing Time**" means 10:00 a.m. (Vancouver time) on the Closing Date, or such other time to which the Parties may agree;

(m) "**Common Shares**" means the common shares in the capital of Benz;

(n) "**Encumbrance**" has the meaning set forth in Section 3.1(a) hereto;

(o) "**Environmental Laws**" means any applicable law, ordinance, code, rule, or other requirement of any Governmental Authority and any judicial or administrative interpretation thereof, regulating, relating to or imposing liability or standards of conduct concerning: (i) the environment, human health or safety, or emissions, discharges, releases or threatened releases into the environment (including ambient air, surface water, underground water, noise and land), (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of solid waste, waste water, pollutants, contaminants, chemicals or any Hazardous Materials, (iii) the reclamation or remediation of disturbed land, and (iv) the protection of archaeological sites, national or natural monuments and protected areas such as natural parks;

(p) "**Exchange**" has the meaning set out in the recitals to this Agreement;

(q) "**Exploration Data**" means a digital copy and hardcopy of all Property related data, including drill logs, maps and reports generated from said data, collected by Avaron and its contractors on the Property;

(r) "**Information Circular**" means the management information circular prepared by Benz in relation to the Option Purchase and Assignment in accordance with Exchange Form 3B1, to be mailed to the shareholders of Benz and filed on SEDAR pursuant to Policy 2.4;

(s) "**Governmental Authority**" means any (i) multinational, federal, provincial, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign, (ii) any subdivision, agent, commission, board, or authority of any of the foregoing, or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, and includes a stock exchange or self-regulatory authority;

(t) "**Hazardous Materials**" means any hazardous, toxic, corrosive, flammable, or dangerous waste, substance or material defined as such in any of the applicable Environmental Laws;

(u) "**Loss**" and "**Losses**" mean any and all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs, and expenses, including without limitation, interest, penalties, fines and reasonable attorneys, accountants and other professional fees and expenses, but excluding damages for lost profits or lost business opportunities and excluding any indirect, consequential or punitive damages suffered by Benz or Avaron;

(v) "**Material Adverse Effect**" has the meaning set out in Section 3.1(d);

(w) "**Meeting**" means the special meeting of the shareholders of Benz for the consideration and, if deemed appropriate, approval of the Option Purchase and Assignment in accordance with Section 2.4;

(x) "**NSR**" means the 2.5% net smelter royalty in favour of Avino subject to applicable buy-out provisions provided for under the Option Agreement, a copy of which NSR is attached as Schedule "B" to the Option Agreement;

(y) "**Option Agreement**" has the meaning ascribed thereto in the recitals to this Agreement and a copy of which is attached as Schedule "B" to this Agreement;

(z) "**Option Purchase and Assignment**" has the meaning ascribed thereto in the recitals to this Agreement;

(aa) "**Outside Date**" means May 31, 2013;

(bb) "**Parties**" means Benz and Avaron, and "**Party**" means any one of them;

(cc) "**Purchase Shares**" means the 400,000 Common Shares to be allotted and issued by Benz to Avaron on the Closing Date in consideration for the Option Purchase and Assignment;

(dd) "**Permitted Encumbrances**" means the NSR;

(ee) "**Person**" includes an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;

(ff) "**Private Placement**" means the private placement comprised of Common Shares, flow-through Common Shares, units or any combination of the foregoing, for gross proceeds of up to $250,000 to be completed by Benz on a brokered and/or non-brokered basis concurrently with the Closing;

(gg) "**Property**" has the meaning ascribed in the recitals hereof and as more particularly set forth and described in Schedule "A" attached hereto;

(hh) "**Policy 2.4**" has the meaning set out in the recitals to this Agreement;

(ii) "**Qualifying Transaction**" has the meaning set out in the recitals to this Agreement;

(jj) "**Property**" has the meaning set out in the recitals to this Agreement;

(kk) "**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

(ll) "**Share Issuance Sections**" has the meaning set out in Section 5.2;

(mm) "**U.S. Person**" has the meaning set out in Section 6.2(b); and

(nn) "**U.S. Securities Act**" has the meaning set out in Section 6.2(b).

1.2 The following Schedules are included and form part of this Agreement:

Schedule "A"	-	Description of Property
Schedule "B"	-	Option Agreement

ARTICLE II
MUTUAL REPRESENTATIONS AND WARRANTIES

2.1 Each of Benz and Avaron represents and warrants that:

(a) it is a body corporate duly formed, organized and validly subsisting and in good standing under the laws of its incorporating or governing jurisdiction;

(b) it has full right, corporate power and authority to carry on its business, execute and deliver this Agreement and any agreement or instrument referred to or contemplated by this Agreement;

(c) this Agreement, when delivered in accordance with the terms hereof, will constitute a valid and binding obligation enforceable against the entity in accordance with its terms, except:

(i) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws of general application affecting enforcement of creditors' rights generally, and

(ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies;

(d) the consummation of this Agreement will not conflict with nor result in any breach of any agreement or other instrument whatsoever to which any Party hereto is a party or by which any Party is bound or to which any Party may be subject; and

(e) the execution and delivery of this Agreement and any agreements or documents contemplated hereby will not violate or result in the breach of the laws of any jurisdiction applicable or pertaining thereto or of its constating or charter documents, nor will such result in a breach of, or accelerate the performance required by any contract or other commitment to which it is a party or by which it is bound.

2.2 The representations and warranties contained in Section 2.1 are provided for the mutual benefit of the Avaron and Benz, and a breach of any one or more representations or warranties may be waived by Avaron or Benz in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty, and the representations and warranties contained in Section 2.1 will survive the Closing Date for a period of two (2) years.

2.3 Upon the terms and subject to the conditions of this Agreement, Benz will, on Closing, (i) pay to Avaron a cash payment of $25,000 and issue the Purchase Shares to Avaron; and (ii) issue the Assignment Shares to Avino.

2.4 The Purchase Shares and the Assignment Shares will be issued in accordance with applicable Canadian securities laws and will be subject to a statutory and Exchange imposed restriction on resale for a period not exceeding four months from the Closing Date.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF AVARON

3.1 Avaron represents and warrants to, and covenants with Benz, and acknowledges that Benz is relying on such representations, warranties and covenants in entering into this Agreement that:

(a) except for the Permitted Encumbrances, Avaron is the sole legal and beneficial owner of the Option, and to the knowledge of Avaron the Option is free and clear of, and from, all liens, security interests, charges and encumbrances (each, an "**Encumbrance**") and is not subject to any judgment, order or decree in any lawsuit or proceeding;

(b) the Option Agreement is in good standing as at the date hereof and no default has occurred thereunder and Avaron has done no act whereby the Option Agreement has in any manner become impaired, and Avaron has not assigned all or any part of its interest in any of the Option Agreement and has not granted any options, interests or other rights in and to the Option Agreement;

(c) subject to the required consent of Avino pursuant to Section 14.3 of the Option Agreement which consent is being obtained herein, Avaron has good right, full power and absolute authority to assign its interest in the Option Agreement to Benz;

(d) neither the execution, delivery and performance of this Agreement, nor the consummation of the Option Purchase and Assignment, will conflict with, result in a violation of, cause a default under (with or without notice, lapse of time or both) or give rise to a right of termination, amendment, cancellation or acceleration of any obligation contained in or the loss of any material benefit under, or result in the creation of any Encumbrance upon the Option or other instrument, permit, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Option;

(e) the Property is in good standing and no proceedings have been instituted to invalidate or assert an adverse claim or challenge against or to the ownership of or title to the Property, nor is there any basis therefor, and no other person is entitled to an agreement or option to acquire or purchase the Property or any portion thereof, and no person has any royalty or other interest whatsoever, in production from any part of the Property;

(f) to the best of Avaron's knowledge, are no actions, suits or proceedings pending or to its knowledge, threatened, against or adversely affecting or which could adversely affect the Property before any federal, provincial, territorial, municipal or other governmental authority, court, department, commission, board bureau, agency or instrumentality, domestic or foreign, whether or not insured, and which might involve the possibility of any judgment or liability against the Property;

(g) Schedule "A" to this Agreement accurately sets out all of the mining leases comprising the Property;

(h) to the best of Avaron's knowledge, all of the mining leases constituting the Property have been properly surveyed and are validly held in accordance with applicable laws and regulations;

(i) to the best of Avaron's knowledge, except for the Permitted Encumbrances, there is no adverse claim or challenge against or to Avaron's ownership of the Option, nor, to the knowledge of Avaron is there any basis therefor, and there are no outstanding agreements or options to acquire or purchase the Property or any portion thereof and no person or company other than Avaron and Avino has any proprietary or possessory interest in the Property or any right whatsoever capable of becoming any of the foregoing;

(j) to the knowledge of Avaron, there are no outstanding orders or directions relating to environmental matters requiring any work, repairs, construction or expenditures with respect to the Property and the conduct of operations related thereto, Avaron has not received any notice of the same and Avaron is not aware of any basis on which any such orders or directions could be made;

(k) Avaron has duly filed all reports and returns required to be filed with governmental authorities and has obtained all governmental permits and other governmental consents, except as may be required after the execution of this Agreement and all of such permits and consents are in full force and effect, and no proceedings for the suspension or cancellation of any of them, and no investigation relating to any of them, is pending or to the knowledge of Avaron, threatened, and none of them will be adversely affected by the entry into this Agreement or the consummation of the Option Purchase and Assignment;

(l) to the knowledge of Avaron, Avaron has complied with all applicable laws, statutes, by laws, decrees, rulings, orders, judgments and regulations relating to the work it has conducted in respect of the Property, including environmental laws;

(m) to the knowledge of Avaron, there is no adverse claim or challenge against or to the ownership of or title to any part of the Property and, to the knowledge of Avaron, there is no basis for such adverse claim or challenge which may affect the Property;

(n) there are no actual or pending proceedings for, and Avaron is unaware of any basis for, the institution of any proceedings leading to the placing of Avaron in bankruptcy or subject to any other laws governing the affairs of insolvent parties;

(o) except as set out herein no filing or registration with, no notice to and no permit, authorization, consent, or approval of any public or governmental body or authority or other person or entity is necessary for the consummation of the Option Purchase and Assignment contemplated by this Agreement on the Closing Date; and

(p) Avaron has made full disclosure to Benz of all relevant information that it possesses which relates to the Property which could have any effect upon Benz determining whether it shall enter into this Agreement.

3.2 The representations and warranties contained in Section 3.1 are provided for the exclusive benefit of Benz, and a breach of any one or more representations or warranties may be waived by Benz in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty, and the representations and warranties contained in Section 3.1 will survive the Closing Date for a period of two (2) years.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BENZ

4.1 Benz represents and warrants to, and covenants with Avaron and Avino, and acknowledges that Avaron and Avino are relying on such representations, warranties and covenants in entering into this Agreement that:

(a) Benz is a reporting issuer in good standing in the provinces of British Columbia and Alberta;

(b) the Common Shares are listed on the Exchange under the symbol BZ.P and, prior to the Closing Date, Benz is a Capital Pool Company as that term is defined in Policy 2.4;

(c) the authorized capital of Benz consists of an unlimited number of Common Shares and preferred shares and as of the date hereof, an aggregate of 6,392,952 Common Shares are issued and outstanding and no preferred shares are issued and outstanding; and

(d) the Purchase Shares and the Assignment Shares to be issued hereunder will be fully-paid and non-assessable shares in the capital of Benz, free of all restrictions on trading other than those required by applicable securities law or by the Exchange as set out in Section 6 hereof;

4.2 The representations and warranties contained in Section 4.1 are provided for the exclusive benefit of Avaron and Avino, and a breach of any one or more representations or warranties may be waived by Avaron and Avino in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty, and the representations and warranties contained in Section 4.1 will survive the Closing Date for a period of five (5) years.

ARTICLE V
PURCHASE AND ASSIGNMENT OF OPTION

5.1 Upon and subject to the terms and conditions of this Agreement, on the Closing Date, Avaron and Benz will complete the Option Purchase and Assignment as follows:

(a) Avaron will, on the Closing Date, assign and transfer absolutely and forever to Benz all of its right, title and interest to the Option Agreement together with all benefits and advantages to be derived from the Option Agreement and all obligations and payments payable under the Option Agreement; and

(b) Benz will, on the Closing Date, pay to Avaron the sum of $25,000 and allot and issue the Purchase Shares, being 400,000 Common Shares to Avaron.

5.2 Avino hereby provides its consent to the Option Purchase and Assignment in accordance with Section 14.3 of the Option Agreement (the "**Avino Consent**") and agrees that all Avaron Shares to be issued to it pursuant to each of Section 4.3(f), Section 4.3(g), Section 5.8(b) and Section 7.2 of the Option Agreement (the "**Share Issuance Sections**") shall be replaced and substituted with Common Shares. For greater certainty, effective from the Closing Date, Avino will receive Common Shares in lieu of Avaron Shares pursuant to the Share Issuance Sections.

5.3 In consideration for providing the Avino Consent, Benz will, on the Closing Date, allot and issue the Assignment Shares, being 50,000 Common Shares, to Avino.

ARTICLE VI
SECURITIES LAWS

6.1 The Parties hereto acknowledge that the issuance of the Purchase Shares and the Assignment Shares by Benz as contemplated herein is being made pursuant to an exemption from the registration and prospectus requirements of applicable securities laws pursuant to Section 2.13 of National Instrument 45-106.

6.2 Each of Avaron and Avino hereby confirms to and covenants with Benz that:

(a) it will comply with all requirements of applicable securities laws in connection with the issuance to it of the Purchase Shares or the Assignment Shares, as applicable, and the resale of any of the Purchase Shares or the Assignment Shares, as applicable; and

(b) the Purchase Shares and the Assignment Shares have not been registered under the United States *Securities Act of 1933*, as amended (the "**U.S. Securities Act**") or the securities laws of any State of the United States and that Benz does not intend to register the Purchase Shares or the Assignment Shares under the U.S. Securities Act, or the securities laws of any State of the United States and has no obligation to do so. Each of Avaron and Avino is not a "**U.S. person**" (as that term is defined in Regulation S under the U.S. Securities Act) and is not purchasing the Purchase Shares or the Assignment Shares, as the case may be, for the account or benefit of any U.S. persons; provided, however, that Avaron or Avino may sell or otherwise dispose the Purchase Shares or the Assignment Shares, as the case may be, pursuant to registration thereof under the U.S. Securities Act and any applicable State securities laws or pursuant to any available exemption from such registration requirements.

6.3 Upon the issuance of the Purchase Shares and the Assignment Shares, and until such time as is no longer required under applicable securities laws, the certificates representing the Purchase Shares or the Assignment Shares will bear the following legend required under National Instrument 45-102, in substantially the following form:

"Unless permitted under securities legislation, the holder of this security must not trade the security before [insert the date that is 4 months and a day after the distribution date]."

And the Purchase Shares will also bear the following legend pursuant to the policies of the Exchange in substantially the following form:

"Without prior written approval of the Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypotheca ted or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until [insert date]."

ARTICLE VII
COLLECTION OF PERSONAL INFORMATION

7.1 Each of Avaron and Avino acknowledges and consents to the fact that Benz may be required to collect its personal information which may be disclosed by Benz to:

(a) an Exchange or securities regulatory authorities;

(b) Benz's registrar and transfer agent;

(c) Canadian tax authorities; and

(d) authorities pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada).

7.2 By executing this Agreement, each of Avaron and Avino is deemed to be consenting to the foregoing collection, use and disclosure of such personal information and to the retention of such personal information for as long as permitted or required by law or business practice.

7.3 By executing this Agreement, each of Avaron and Avino hereby consents to the foregoing collection, use and disclosure of such personal information for such purposes only. Each of Avaron and Avino also consents to the filing of copies or originals of any of the documents described herein as may be required to be filed with the Exchange or any securities regulatory authority in connection with the transactions contemplated hereby. An officer of Benz is available to answer questions about the collection of personal information by Benz.

ARTICLE VIII
COVENANTS OF BENZ AND AVARON

8.1 Prior to the Closing Date, Avaron shall not without the prior written consent of Benz, allow the Option to become subject to any Encumbrances or enter into any agreement (whether written or verbal) that may result in the creation of any such Encumbrance or otherwise restrict in any manner whatsoever the Option Purchase and Assignment as contemplated by this Agreement.

8.2 Until the Closing Date, neither Avaron nor Benz shall, without the prior written consent of the other Party, enter into any contract in respect of its business or assets, other than in the ordinary course of business, or as otherwise contemplated by this Agreement and each Party shall continue to carry on its business and maintain its assets in the ordinary course of business.

ARTICLE IX
INVESTIGATIONS AND AVAILABILITY OF RECORDS

9.1 Benz and/or its directors, officers, auditors, counsel and other authorized representatives shall be permitted to make such commercially reasonable investigations of the Property and business of Avaron as Benz reasonably deems necessary or desirable, provided always that such investigations shall not unduly interfere with the operations of Avaron. Such investigations will not, however, affect or mitigate in any way the representations and warranties contained in this Agreement, which representations and warranties shall continue in full force and effect for the benefit of Benz.

ARTICLE X
NECESSARY CONSENTS AND SHAREHOLDER APPROVAL

10.1 Avaron shall use its commercially reasonable efforts to obtain from its directors, shareholders and all appropriate federal, provincial, municipal or other governmental or administrative bodies such approvals or consents as are required (if any) to complete the transactions contemplated herein.

10.2 Benz shall use its commercially reasonable efforts to obtain from its directors, shareholders and all appropriate federal, provincial, municipal or other governmental or administrative bodies such approvals or consents as are required (if any) to complete the transactions contemplated herein.

10.3 As soon as practicable after the execution and delivery of this Agreement and in accordance with Exchange policies, Benz will call and hold the Meeting. Benz will distribute such documents as may be necessary or desirable to permit the shareholders of Benz to consider, and if deemed appropriate, to approve the Option Purchase and Assignment in accordance with Policy 2.4.

ARTICLE XI
INFORMATION CIRCULAR

11.1 Benz will prepare the Information Circular and Avaron will furnish to Benz all information regarding Avaron as may reasonably be required to be included in the Information Circular pursuant to applicable law. Each of Benz and Avaron will:

(a) ensure that all information provided by it or on its behalf that is contained in the Information Circular does not contain any misrepresentation or any untrue statement of a material fact or omit to state a material fact required to be stated in the Information Circular and necessary to make any statement that it contains not misleading in light of the circumstances in which it is made; and

(b) promptly notify the other Party if, at any time before Closing, it becomes aware that the Information Circular contains a misrepresentation, an untrue statement of material fact, omits to state a material fact required to be stated in those documents that is necessary to make any statement it contains not misleading in light of the circumstances in which it is made or that otherwise requires an amendment or a supplement to those documents.

ARTICLE XII
MUTUAL CONDITIONS PRECEDENT

12.1 The obligation of Benz and Avaron to consummate the Option Purchase and Assignment on the Closing Date shall be subject to the prior completion of the following mutual conditions:

(a) conditional acceptance by the Exchange of the Option Purchase and Assignment as the Qualifying Transaction of Benz;

(b) the Purchase Shares and the Assignment Shares to be issued upon the completion of the Option Purchase and Assignment will have been conditionally accepted for listing by the Exchange, subject to Benz fulfilling the listing requirements of the Exchange;

(c) there will not be in force any order or decree restraining or enjoining the consummation of the Option Purchase and Assignment; and

(d) all consents, orders and approvals required, necessary or desirable for the completion of the transactions provided for in this Agreement shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances, all on terms satisfactory to each of the Parties hereto, acting reasonably.

ARTICLE XIII
CONDITIONS PRECEDENT OF AVARON

13.1 The obligation of Avaron to consummate the Option Purchase and Assignment on the Closing Date shall be subject to the prior completion of the following conditions:

(a) the representation and warranties of Benz contained in this Agreement will have been true and correct as of the date of this Agreement and shall be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such Closing Date;

(b) Benz will have performed, fulfilled or complied with, in all material respects, all of its obligations, covenants and agreements contained in this Agreement to be fulfilled or complied with by Benz at or prior to the Closing Date;

(c) Benz will deliver or cause to be delivered to Avaron the closing documents as set forth in Section 17.1 in a form satisfactory to Avaron acting reasonably;

(d) all proceedings to be taken in connection with the transactions contemplated in this Agreement will be satisfactory in form and substance to Avaron, acting reasonably, and Avaron will have received copies of all instruments and other evidence as it may reasonably request in order to establish the consummation or closing of such transactions and the taking of all necessary proceedings in connection therewith; and

(e) this Agreement and all other documents necessary or reasonably required to consummate the Option Purchase and Assignment, all in form and substance reasonably satisfactory to Avaron, will have been executed and delivered to Avaron.

ARTICLE XIV
CONDITIONS PRECEDENT OF BENZ

14.1 The obligation of Benz to consummate the Option Purchase and Assignment on the Closing Date shall be subject to the prior completion of the following conditions:

(a) the representations and warranties of Avaron contained in this Agreement will have been true and correct as of the date of this Agreement and shall be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such Closing Date;

(b) Avaron will have performed, fulfilled or complied with, in all material respects, all of its obligations, covenants and agreements contained in this Agreement to be fulfilled or complied with by Avaron at or prior to the Closing Date;

(c) Avaron will deliver or cause to be delivered to Benz the closing documents as set forth in Section 16.1 in a form satisfactory to Benz acting reasonably;

(d) all proceedings to be taken in connection with the transactions contemplated in this Agreement will be satisfactory in form and substance to Benz, acting reasonably, and Benz will have received copies of all instruments and other evidence as it may reasonably request in order to establish the consummation or closing of such transactions and the taking of all necessary proceedings in connection therewith;

(e) this Agreement and all other documents necessary or reasonably required to consummate the Purchase and Assignment, all in form and substance reasonably satisfactory to Benz, will have been executed and delivered to Benz;

(f) Benz will have completed to its reasonable satisfaction its due diligence on the Property;

(g) Benz will have obtained a National Instrument 43-101 compliant technical report on the Property which report will have received the approval of the Exchange;

(h) the Option Purchase and Assignment will have been approved by the shareholders of Benz at the Meeting;

(i) completion of the Private Placement concurrently with the Closing; and

(j) retention of a sponsor in accordance with Exchange Policy 2.2, unless an exemption therefor has been granted by the Exchange.

ARTICLE XV
CLOSING

15.1 The completion of the Option Purchase and Assignment (the "**Closing**") will take place on the Closing Date at the offices of the lawyers for Benz or at such other location as agreed to by the Parties. Notwithstanding the location of the Closing, each Party agrees that the Closing may be completed by the exchange of undertakings between the respective legal counsel for the Parties, provided such undertakings are satisfactory to each Party's respective legal counsel. The Closing must occur on or before the Outside Date, or this Agreement may be terminated at the election of either Avaron or Avino, upon notice to Benz and the other party, and upon delivery of such notice, this Agreement will be null and void.

ARTICLE XVI
CLOSING DELIVERIES OF AVARON

16.1 At Closing, Avaron will deliver or cause to be delivered the following:

(a) a certified copy of the resolutions of the directors and, if required, the shareholders of Avaron approving and authorizing the entry into this Agreement, the Option Purchase and Assignment and the transactions contemplated herein;

(b) all information in the possession or control of Avaron with respect to the Property (including the Exploration Data), which has not been previously delivered to Benz;

(c) a certificate of a senior officer of Avaron attesting that:

(i) the representations and warranties of Avaron are true and correct at the Closing Date as if made at that time,

(ii) all agreements, covenants and conditions required by this Agreement to be complied with or performed by Avaron on or before the Closing Date have been complied with or performed, and

(iii) all conditions precedent to the obligations of Avaron contained in this Agreement have been satisfied or waived; and

(d) such other closing documents as may be required by Benz, acting reasonably.

ARTICLE XVII
CLOSING DELIVERIES OF BENZ

17.1 At Closing, Benz will deliver or cause to be delivered the following:

(a) a share certificate registered in the name of Avaron representing the Purchase Shares;

(b) a share certificate registered in the name of Avino representing the Assignment Shares;

(c) evidence that the Exchange has conditionally approved the Option Purchase and Assignment as the Qualifying Transaction of Benz;

(d) a certified copy of the resolutions of the directors of Benz approving and authorizing the entry into this Agreement and the transactions contemplated herein;

(e) a certificate of a senior officer of Benz attesting that:

(i) the representations and warranties of Benz are true and correct at the Closing Date as if made at that time,

(ii) all agreements, covenants and conditions required by this Agreement to be complied with or performed by Benz on or before the Closing Date have been complied with or performed,

(iii) all conditions precedent to the obligations of Benz contained in this Agreement have been satisfied or waived; and

(f) such other closing documents as may be required by Avaron, acting reasonably.

ARTICLE XVIII
DISPUTE RESOLUTION

18.1 Any dispute between the Parties concerning any matter or thing arising from this Agreement shall be referred to a mutually agreeable professional (the "**Arbitrator**"). In the event that the Parties cannot mutually agree on the appointment of an Arbitrator within fifteen (15) days of written notice of a disagreement or dispute under this Agreement, the Arbitrator will be appointed by the B.C. Arbitration and Mediation Institute, as the appointing authority.

18.2 Any disagreement or dispute shall be resolved by arbitration pursuant to the Commercial *Arbitration Act* (British Columbia) R.S.B.C. 1996, c.55 and will be conducted in Vancouver, British Columbia, or as otherwise may be agreed as convenient for the parties. The cost of such arbitration shall initially be born equally by the Parties. Any arbitration shall determine, with finality, any disagreement or dispute and the Arbitrator's decision shall be binding and final on the Parties from which there shall be no appeal. An Arbitrator shall also decide matters including the cost of the arbitration, and the Arbitrator is hereby authorized and instructed to award up to one hundred percent (100%) costs on a solicitor and client or special costs basis, as warranted, to the successful Party in connection with any arbitration. In the event a Party fails or is otherwise unable to pay its share of any costs under this provision, the other Party is hereby authorized but not obligated to make that payment and deduct the same from any money claimed owed by the respondent.

ARTICLE XIX
STANDSTILL

19.1 From the date of execution of this Agreement until the Closing Date or the earlier termination hereof, the Parties will not, directly or indirectly, solicit, initiate, assist, facilitate, promote or encourage proposals or offers from, entertain or enter into discussions or negotiations with or provide information relating to the securities, business, operations, affairs or financial condition of Benz or Avaron to any persons, entity or group in connection with the acquisition or distribution of any securities of Benz or Avaron, or any amalgamation, merger, consolidation, arrangement, restructuring, refinancing, sale of any material assets or part thereof, unless such action, matter or transaction is part of the transactions contemplated in this Agreement or is satisfactory to, and is approved in writing in advance by the other Party hereto (with such approval not being unreasonably withheld or delayed) or is necessary to carry on the normal course of business.

ARTICLE XX
FORCE MAJEURE

20.1 The obligations of the Parties hereto and the time frames established in this Agreement Shall be suspended to the extent and for the period that performance is prevented by any cause beyond either Party's reasonable control, whether foreseeable or unforeseeable, including, without limitation, labour disputes, acts of God, laws, regulations, orders, proclamations or requests of any Governmental Authority, inability to obtain on reasonable terms required permits, licenses, or other authorizations, or any other matter similar to the above.

ARTICLE XXI
PUBLIC STATEMENTS

21.1 Except as otherwise required by law or the policies of the Exchange, the Parties shall make no public pronouncements concerning the terms of this Agreement without the express written consent of the other Party, such consent not to be unreasonably withheld. In the event that either Party wishes to make a news release or public statement with respect to the terms of this Agreement, it shall first provide the other Party with a draft copy of such release or statement for review and comment. If the other Party fails to comment on the release within two (2) business days of receipt, it shall be deemed to have waived its rights under this Section.

ARTICLE XXII
NOTIFICATION

22.1 Between the date of this Agreement and the Closing Date, each of the Parties will promptly notify the other Party in writing if it becomes aware of any fact or condition that causes or constitutes a material breach of any of its representations and warranties as of the date of this Agreement, if it becomes aware of the occurrence after the date of this Agreement of any fact or condition that would cause or constitute a material breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. During the same period, each Party will promptly notify the other Parties of the occurrence of any material breach of any of its covenants in this Agreement or of the occurrence of any event that may make the satisfaction of such conditions impossible or unlikely.

ARTICLE XXIII
TERMINATION

23.1 This Agreement may be terminated at any time prior to the Closing Date contemplated hereby by:

(a) mutual agreement of the Parties;

(b) Benz, if there has been a material breach by Avaron of any material representation, warranty, covenant or agreement set forth in this Agreement on the part of Avaron that is not cured, to the reasonable satisfaction of Benz, within ten business days after notice of such breach is given by Benz (except that no cure period will be provided for a breach by Avaron that by its nature cannot be cured);

(c) Avaron, if there has been a material breach by Benz of any material representation, warranty, covenant or agreement set forth in this Agreement on the part of Benz that is not cured, to the reasonable satisfaction of Avaron, within ten business days after notice of such breach is given by Avaron (except that no cure period will be provided for a breach by Benz that by its nature cannot be cured);

(d) Either Party if any injunction or other order of a governmental entity of competent authority prevents the consummation of the Option Purchase and Assignment contemplated by this Agreement; and

(e) Avaron or Avino under the provisions of Section 15.1.

23.2 In the event of the termination of this Agreement as provided in Section 23.1, this Agreement will be of no further force or effect, provided, however, that no termination of this Agreement will relieve any Party of liability for any breaches of this Agreement that are based on a wrongful refusal or failure to perform any obligations.

ARTICLE XXIV
INDEMNITY

24.1 Benz will indemnify, defend, and hold harmless Avaron from, against, for, and in respect of any and all Losses asserted against, relating to, imposed upon, or incurred by Avaron by reason of, resulting from, based upon or arising out of:

(a) any misrepresentation, misstatement or breach of warranty of Benz contained in or made pursuant to this Agreement or any certificate or other instrument delivered pursuant to this Agreement; or

(b) the breach or partial breach by Benz of any covenant or agreement of Benz made in or pursuant to this Agreement or any certificate or other instrument delivered pursuant to this Agreement.

24.2 Avaron will indemnify, defend, and hold harmless Benz from, against, for, and in respect of any and all Losses asserted against, relating to, imposed upon, or incurred by Benz by reason of, resulting from, based upon or arising out of:

(a) any misrepresentation, misstatement or breach of warranty of Avaron contained in or made pursuant to this Agreement or any certificate or other instrument delivered pursuant to this Agreement; or

(b) the breach or partial breach by Avaron of any covenant or agreement of Avaron made in or pursuant to this Agreement or any certificate or other instrument delivered pursuant to this Agreement.

ARTICLE XXV
NOTICE

25.1 Any notice, direction or other instrument required or permitted to be given under this Agreement will be in writing and may be given by the delivery of the same or by mailing the same by prepaid registered or certified mail or by sending the same by facsimile or other similar form of communication, in each case addressed as follows:

(a) If to Benz at:

Suite 900 – 570 Granville Street
Vancouver, BC V6C 3P1
Email: info@benzcapital.com
Attention: President

(b) If to Avaron at:

Suite 900 – 570 Granville Street
Vancouver, BC V6C 3P1
Email: ir@avaronmining.com
Attention: President

(c) If to Avino at:

Suite 900 – 570 Granville Street
Vancouver, BC V6C 3P1
Email: dwolfin@oniva.ca
Attention: David Wolfin, President

25.2 Any notice, direction or other instrument aforesaid will, if delivered, be deemed to have been given and received on the day it was delivered; if faxed, be deemed to have been given and received on the next business day following transmission; and if mailed, be deemed to have been given and received on the fifth day following the day of mailing, except in the event of disruption of the postal services, in which event notice will be deemed to be given and received only when actually received.

25.3 Any party may at any time give to the other, notice in writing of any change of address or fax number of the party giving such notice, and from and after the giving of such notice, the address or fax number therein specified will be deemed to be the address or fax number of such party for the purposes of giving notice hereunder.

ARTICLE XXVI
GENERAL

26.1 This Agreement constitutes the entire agreement between the Parties and replaces and supersedes all prior agreements, memoranda, correspondence, communications, negotiations and representations, whether verbal or written, express or implied, statutory or otherwise between the Parties with respect to the subject matter herein.

26.2 The Parties agree that they shall use all commercially reasonable efforts to satisfy each of the conditions precedent to be satisfied by it as soon as practical and in any event before the Closing Date, and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable that are commercially reasonable to permit the completion of the Option Purchase and Assignment in accordance with the terms and conditions of this Agreement. The Parties hereto agree that they and each of them will execute all documents and do all acts and things within their respective powers to carry out and implement the provisions or intent of this Agreement.

26.3 Avaron and Avino hereby acknowledge that this Agreement was prepared by Macdonald Tuskey for Benz and that Macdonald Tuskey does not represent Avaron and Avino. By signing this Agreement, Avaron and Avino each confirms that it fully understands this Agreement and (a) has obtained independent legal advice, or (b) waives the right to obtain independent legal advice.

26.4 This Agreement may be signed in counterparts, each of which may be delivered in facsimile or other electronic means. Each executed counterpart shall be deemed to be an original and all such counterparts when read together will constitute one and the same instrument.

26.5 Neither Party may assign this Agreement and its rights thereunder without the prior written approval of the other.

26.6 The headings to the respective sections herein will not be deemed part of this Agreement but will be regarded as having been used for convenience only.

26.7 In this Agreement, all references to sections, subsections and Schedules are to sections, subsections and Schedules of this Agreement.

26.8 All references to monies hereunder will be in Canadian funds.

26.9 This Agreement will enure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns.

26.10 This Agreement will be exclusively governed and interpreted in accordance with the laws of British Columbia and the laws of Canada applicable therein. All actions arising from this Agreement will be commenced and prosecuted in the courts of British Columbia, and the Parties hereby attorn to the jurisdiction thereof.

26.11 In the event of any conflict between the provisions of any document delivered on the Closing and this Agreement, the provisions of this Agreement shall prevail.

26.12 Time is of the essence.

26.13 This Agreement may only be amended in writing with the consent of each Party.

26.14 The representations and warranties, covenants and agreements of the Parties set forth herein will survive the Closing Date and, notwithstanding the completion of the transactions contemplated hereby, the waiver of any condition contained herein (unless such waiver expressly releases a Party of any such representation, warrant, covenant or agreement) or any investigation made by the Party, the same will remain in full force and effect.

26.15 If any provision of this Agreement is or will become illegal, unenforceable or invalid for any reason whatsoever, such illegal, unenforceable or invalid provisions will be severable from the remainder of this Agreement and will not affect the legality, enforceability or validity of the remaining provisions of this Agreement.

26.16 No consent or waiver, express or implied, by any Party hereto in respect of any breach or default by any of the other Parties in the performance by such other Party of its obligations under this Agreement will be deemed or construed to be consent to or waiver of any other breach or default.

[Signature Pages Follow]

IN WITNESS WHEREOF the parties hereto have signed this Agreement effective as of the date first written above.

BENZ CAPITAL CORP.

Per: */s/ Miloje Vicentijevic*
Authorized Signatory

AVARON MINING CORP.

Per: */s/ Kevin Drover*
Authorized Signatory

AVINO SILVER & GOLD MINES LTD.

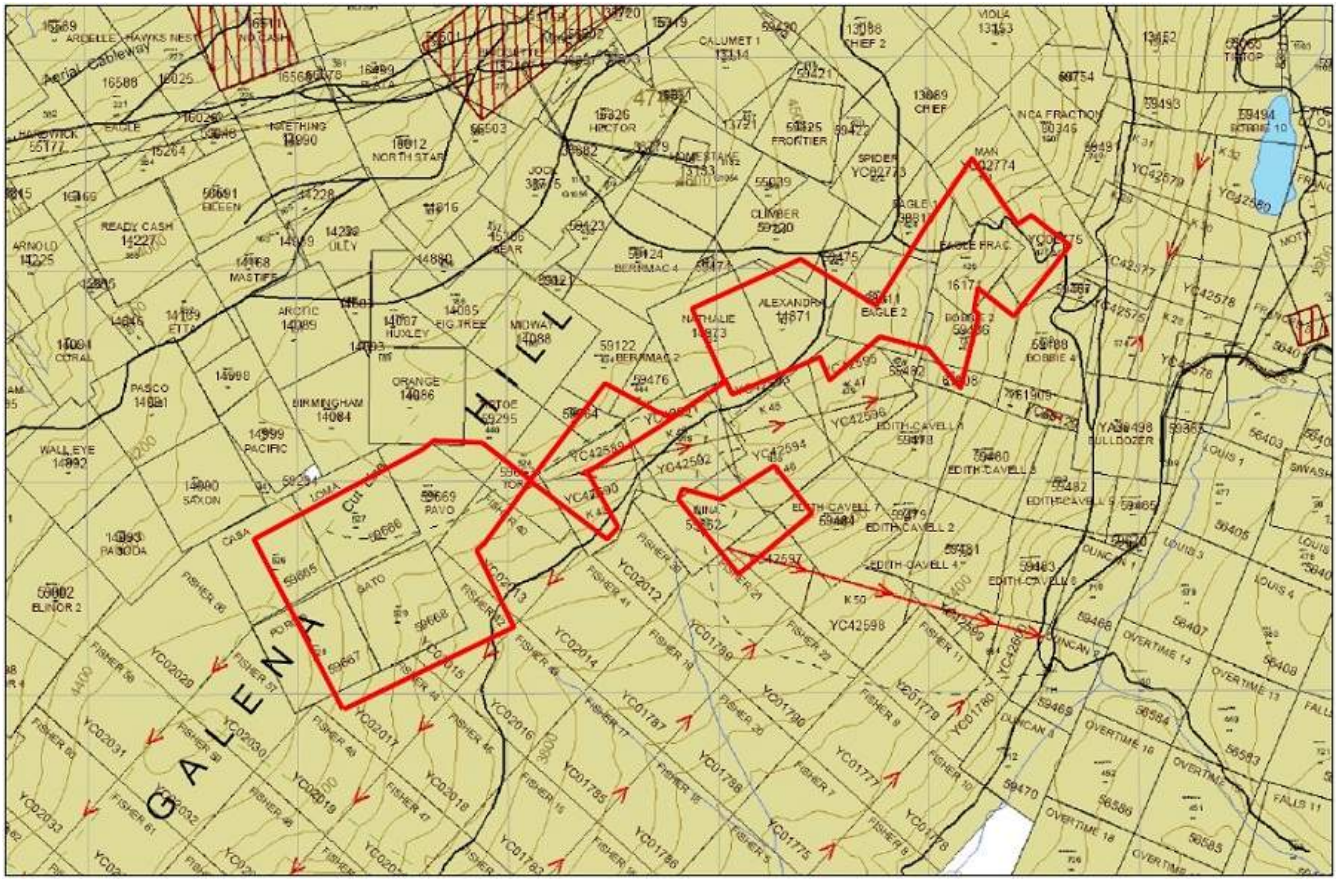
Per: */s/ David Wolfin*
Authorized Signatory

SCHEDULE "A"

DESCRIPTION OF CLAIMS

Description of Property

District	Grant Number	Reg Type	Quartz Lease	Claim Name	Claim Owner	Operation Recording Date	Claim Expiry Date	NTS Map Number
Mayo	14871	Quartz	NM00113	ALEXANDRA	Avino Silver and Gold Mines Ltd. - 100%.	10/12/1923	4/29/2021	105M14
Mayo	14873	Quartz	NM00114	NATHALIE	Avino Silver and Gold Mines Ltd. - 100%.	10/12/1923	4/29/2021	105M14
Mayo	16171	Quartz	NM00115	EAGLE FRAC.	Avino Silver and Gold Mines Ltd. - 100%.	7/13/1926	4/29/2021	105M14
Mayo	38811	Quartz	NM00116	EAGLE 2	Avino Silver and Gold Mines Ltd. - 100%.	11/12/1934	4/29/2021	105M14
Mayo	38815	Quartz	NM00117	EAGLE 1	Avino Silver and Gold Mines Ltd. - 100%.	11/14/1934	4/29/2021	105M14
Mayo	55482	Quartz	NM00118	JEAN	Avino Silver and Gold Mines Ltd. - 100%.	1/24/1947	4/29/2021	105M14
Mayo	59662	Quartz	NM00119	NINA	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14
Mayo	59663	Quartz	NM00120	TORO	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14
Mayo	59664	Quartz	NM00121	PERO	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14
Mayo	59665	Quartz	NM00122	CASA	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14
Mayo	59666	Quartz	NM00123	LOMA	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14
Mayo	59667	Quartz	NM00124	PORCO	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14
Mayo	59668	Quartz	NM00125	GATO	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14
Mayo	59669	Quartz	NM00126	PAVO	Avino Silver and Gold Mines Ltd. - 100%.	8/11/1950	4/29/2021	105M14



Eagle Property, Galena Hill, Yukon - NTS 105M/14

SCHEDULE "B"

OPTION AGREEMENT

EXHIBIT 4.8

OPTION TO JOINT VENTURE AGREEMENT

This Agreement is made as of **July 30, 2012** (the "**Effective Date**")

BETWEEN:

AVINO SILVER & GOLD MINES LTD., a corporation existing under the laws of British Columbia and having its head office at Suite 900 – 570 Granville Street, Vancouver, British Columbia V6C 3P1

Fax No: (604) 682-3600

(hereinafter "**Avino**")

AND:

ENDEAVOUR SILVER CORP., a corporation existing under the laws of British Columbia and having its head office at Suite 301, 700 West Pender Street, Vancouver, British Columbia V6C 1G8

Fax No: (604) 685-9744

(hereinafter "**Endeavour**")

WHEREAS:

A. Avino is, directly or through its wholly-owned Mexican subsidiary Compania Minera Mexicana de Avino, S.A. de C.V. (the "**Subsidiary**"), the sole legal and beneficial owner of 100% of the rights, title and interest in and to the Laberinto Property (the "**Property**") located in Durango State, Mexico, as described in Schedule "A" hereto; and

B. Avino has agreed to grant Endeavour the sole and exclusive right and option to acquire a 75% interest in the Property, upon which event a Joint Venture shall be formed between the parties, in accordance with the terms and conditions of this Agreement.

Now therefore in consideration of the mutual promises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **INTERPRETATION**

1.1 **Definitions.** In this Agreement, terms and expressions given a defined meaning in any Schedule shall have the corresponding meaning in this Agreement and:

"**Affiliate**" has the meaning given to that term in the *Securities Act* (British Columbia);

"**Agreement**" means this Agreement, including the Recitals and the Schedules, all as amended, from time to time;

"**Arcelia**" means Arcelia Gold Corp.;

"**Arcelia Agreement**" means an Option and Joint Venture Agreement entered into between Endeavour and Arcelia dated August 18, 2011 covering mineral properties surrounding and contiguous with the Property;

"**Business Day**" means a day other than Saturday, Sunday or statutory holiday when banks in the City of Vancouver, British Columbia are generally open for business;

"**Effective Date**" means ___July 30_____, 2012;

"**Expenditures**" means, without duplication, all costs and expenses actually and directly incurred by a party on or for the benefit of the Property including without limiting the generality of the foregoing, monies expended in doing geophysical, geochemical and geological surveys, drilling, drifting and other surface and underground work, assaying and metallurgical testing, engineering and geological consulting, and building and operating any exploration facilities on the Property; land fees associated with the management of the Property, including community payments and expenses directly related to community relations and the acquisition of exploration permits; payment of fees, wages, salaries, travelling expenses, and fringe benefits (whether or not required by law) of all persons engaged in work with respect to and for the benefit of the Property, in paying for the food, lodging and other reasonable needs of such persons and including all costs at prevailing charge out rates for any personnel who from time to time are engaged directly in work on the Property, such rates to be in accordance with industry standards. For greater certainty, Expenditures shall not include legal expenses related to the negotiation of this Agreement;

"**Joint Venture**" means the exploration joint venture which may be formed with respect to the Property pursuant to Section 7.1;

"**Joint Venture Assets**" means, after the formation of the Joint Venture, the Property and all other assets of the Joint Venture;

"**Joint Venture Interest**" means the percentage undivided interest of each of Avino and Endeavour in the Joint Venture, which interest shall, at all times, correspond with and represent their respective percentage undivided interest in the Property pursuant to this Agreement and vice versa;

"**Lien**" means any lien, security interest, mortgage, charge, encumbrance, or other claim of a third party, whether registered or unregistered, and whether arising by agreement, statute or otherwise;

"**Management Committee**" means the committee established by the parties on the formation of a Joint Venture as described in Section 3.1 of Schedule "C";

"**Minera Plata**" means Minera Plata Adelante, S.A. de C.V., a wholly-owned Mexican subsidiary of Endeavour;

"**Minerals**" means any and all ores (and concentrates or metals derived therefrom) of precious, base and industrial minerals, in, on or under a Property which may lawfully be explored for, mined and sold by the Parties pursuant to the instruments of title under which the Property is held;

"**Net Smelter Returns**" has the meaning set forth in Schedule "D" hereto;

"**NI 43-101**" means National Instrument 43-101 entitled "Standards of Disclosure for Mineral Projects" promulgated by the Canadian Securities Administrators;

"**Operator**" means the party responsible for carrying out, or causing to be carried out, all work in respect of the Property during the period of the Option and during the period of a Joint Venture;

"**Option**" means the option granted by Avino to Endeavour in accordance with Section 3.1;

"**Option Period**" means the term of the Option commencing on the Effective Date and ending on the fourth anniversary of the Effective Date;

"**Party**" and "**Parties**" means the parties, individually or jointly, to this Agreement;

"**Preliminary Economic Assessment**" shall have the meaning ascribed to such term in NI 43-101 and shall include a NI 43-101 compliant resource estimate;

"**Program**" means a written description, prepared by the Operator and adopted by the Management Committee, outlining all Expenditures which the Operator contemplates incurring on the Property, including a detailed description of all work which the Operator proposes to carry out on the Property pursuant to such Program;

"**Property**" means the Laberinto Concessions located in Durango State, Mexico, as more particularly described in Schedule "A" hereto and those rights and benefits appurtenant to the Property;

"**Representative**" means the individual appointed from time to time by a Party to act as such Party's representative on a Management Committee; and

"**Subsidiary**" means Compania Minera Mexicana de Avino, S.A. de C.V., a wholly-owned Mexican subsidiary of Avino.

1.2 **Extended Meanings** means, unless otherwise specified, that words importing the singular include the plural and vice versa. The term "including" means "including without limitation."

1.3 **Headings.** The division of this Agreement into sections and the insertion of headings are for convenience of reference only and are not to affect the construction or interpretation of this Agreement.

1.4 **Severability.** If any term of this Agreement is or becomes illegal, invalid or unenforceable, that term shall not affect the legality, validity or enforceability of the remaining terms of this Agreement.

1.5 **Entire Agreement**. This Agreement constitutes the entire agreement between the parties with respect to the subject matter herein and supersedes all prior arrangements, negotiations, discussions, undertakings, representations, warranties and understandings, whether written or verbal.

1.6 **Time.** For every provision in this Agreement, time is of the essence.

1.7 **Governing Law**. This Agreement shall be governed by and shall be construed and interpreted in accordance with the laws of British Columbia.

1.8 **Statutory References**. Each reference to a statute in this Agreement includes the regulations made under that statute, as amended or re-enacted from time to time.

1.9 **Currency.** All references to dollars ($) herein refer to United States dollars (US$).

1.10 **Schedules**. The following Schedules are attached to and form part of this Agreement:

Schedule "A"	Description of the Property
Schedule "B"	Property Obligations
Schedule "C"	Joint Venture Terms
Schedule "D"	Net Smelter Returns

2. **REPRESENTATIONS AND WARRANTIES**

2.1 Avino hereby represents and warrants to Endeavour that:

(a) it is a corporation duly organized and validly existing under the laws of the Province of British Columbia;

(b) the Subsidiary is a corporation duly organized and validly existing under the laws of Mexico;

(c) it has full corporate power, authority and capacity to enter into this Agreement and to carry out its obligations under this Agreement and is, through the Subsidiary, qualified to carry on business in Mexico;

(d) it has been duly authorized to enter into, and to carry out its obligations under, this Agreement and no obligation of it in this Agreement conflicts with or will result in the breach of any term in:

(i) its notice of articles or articles; or

(ii) any other agreement to which it is a party;

(e) it has duly executed and delivered this Agreement, which binds it in accordance with its terms;

(f) neither it nor the Subsidiary requires the consent or approval of any other party or entity to the entering into this Agreement or any of the transactions contemplated hereby;

(g) (i) the claims comprising the Property were properly recorded and filed with appropriate governmental agencies; (ii) all assessment work required to hold the claims has been performed and all governmental fees have been paid and all filings required to maintain the claims in good standing have been properly and timely recorded or filed with appropriate governmental agencies; (iii) other than those royalties with respect to the Property as indicated in Schedule "A" hereto, the claims are free and clear of encumbrances or defects in title; and (iv) Avino has no knowledge of conflicting mining claims;

(h) the Property is properly and accurately described in Schedule "A" hereto;

(i) Avino is the owner, through the Subsidiary, of a 100% beneficial and legal interest in the Laberinto Concessions, free and clear of all Liens and third party interests, subject only to those royalties with respect to the Property as indicated in Schedule "A" hereto;

(j) there are no adverse claims or challenges to Avino's or the Subsidiary's interest in the Property;

(k) to the best of Avino's knowledge, there has been no known spill, discharge, deposit, leak, emission or other release of any contaminant, pollutant, dangerous or toxic substance, or hazardous waste on, into, under or affecting the Property and no such contaminant, pollutant, dangerous or toxic substance, or hazardous waste is stored in any type of container on, in or under the Property;

(l) there are no existing or, to the best of Avino's knowledge, threatened actions, suits, claims or proceedings regarding the Property and there are no outstanding notices, orders, assessments, directives, rulings or other documents issued in respect of the Property by any governmental authority;

(m) there are no existing reclamation, rehabilitation, restoration or abandonment obligations with respect to the Property; and

(n) Avino has made the annual maintenance fee payments and kept the property in good standing, which obligation shall be assumed by Endeavour upon execution of this Agreement.

2.2 Endeavour hereby represents and warrants that:

(a) it is a corporation duly organized and validly existing under the *Business Corporations Act* (British Columbia);

(b) Minera Plata is a corporation duly organized and validly existing under the laws of Mexico;

(c) it has full corporate power, authority and capacity to enter into this Agreement and to carry out its obligations under this Agreement and is qualified to carry on business in British Columbia and is, through Minera Plata, qualified to carry on business in Mexico;

(d) it has been duly authorized to enter into, and to carry out its obligations under, this Agreement and no obligation of it in this Agreement conflicts with or will result in the breach of any term in:

(i) its notice of articles or articles; or

(ii) any other agreement to which it is a party; and

(e) it has duly executed and delivered this Agreement, which binds it in accordance with its terms.

2.3 Each Party's representations and warranties set out above will be relied on by the other Party in entering into the Agreement and shall survive the execution and delivery of the Agreement. Each Party shall indemnify and hold harmless the other Party for any loss, cost, expense, claim or damage, including legal fees and disbursements, suffered or incurred by the other Party at any time as a result of any misrepresentation or breach of warranty arising under the Agreement.

3. **OPTION**

3.1 Avino hereby grants to Endeavour the sole and exclusive right and option (the "**Option**") to acquire a 75% undivided right, title and interest in and to the Property on the terms set out herein.

3.2 In order to maintain the Option in good standing, Endeavour must:

(a) pay to Avino a total of $200,000 as follows:

(i) the sum of $20,000 on the Effective Date;

(ii) a further sum of $30,000 on or before the first anniversary of the Effective Date;

(iii) a further sum of $40,000 on or before the second anniversary of the Effective Date;

(iv) a further sum of $50,000 on or before the third anniversary of the Effective Date; and

(v) a further sum of $60,000 on or before the fourth anniversary of the Effective Date; and

(b) complete Expenditures of $3,000,000 as follows:

(i) $300,000 on or before the first anniversary of the Effective Date;

(ii) a further $500,000 on or before the second anniversary of the Effective Date;

(iii) a further $1,000,000 on or before the third anniversary of the Effective Date; and

(iv) a further $1,200,000 on or before the fourth anniversary of the Effective Date.

Each of the payment and Expenditure obligations set forth in Section 3.2 may be accelerated by Endeavour in order to accelerate Endeavour's exercise of the Option, but if Endeavour fails to meet any such payment or Expenditure obligation when due, the Option will terminate, subject to Section 3.8 or Avino providing notice of default to Endeavour and Endeavour failing to cure said default pursuant to Section 10.1.

3.3 Endeavour further agrees to conduct work and allocate Expenditures as follows:

(a) during the first year of the Option Period, complete at least 1,000 metres of drilling along a mineralized vein in the area of the El Jabali tunnel;

(b) upon completion of the first year of the Option Period, if Endeavour's assessment of mineral potential in the Jabali area suggests the presence of large scale bulk tonnage open pit mineral potential, Endeavour will continue to direct exploration Expenditures to test that potential contingent on continued positive exploration results for the balance of the Option Period;

(c) upon completion of the first year of the Option Period, if Endeavour's assessment of the mineral potential of the Jabali area indicates only small scale underground high-grade potential, Endeavour will direct exploration Expenditures to test that potential contingent on continued positive exploration results for the balance of the Option Period, and the following shall apply:

(i) during the second year of the Option Period, Endeavour will allocate Expenditures to drill along the vein in the Jabali area on no more than a 50 metre spacing to determine whether underground mine development is justified and identify the location of an underground mine access; and

(ii) during the third and fourth years of the Option Period, Endeavour will allocate Expenditures to permit and develop the underground mine access and seek to commence production of ore from the vein in the Jabali area for processing at the Avino plant; and

(d) in the event Endeavour's year-end assessments of the mineral potential of the Jabali area indicate that there exists limited potential for either bulk tonnage open pit mineral potential or underground high-grade potential, Endeavour in its sole discretion may cease its exploration in this area or terminate this Agreement in order to permit Avino to resume exploration of the Jabali area.

3.4 Prior to exercise of the Option:

(a) all of the Expenditures on development and mining and related costs will be attributed to Expenditures; and

(b) Avino will receive 100 percent of revenues from the sale of ores, concentrate, metal and products derived from ore mined from the Property during the Option Period.

3.5 Endeavour will have the right to terminate this Agreement at any time up to the date of exercise of the Option by giving notice in writing of such termination to Avino, and in the event of such termination, this Agreement will, except for the provisions of Sections 2.3, 3.2(a)(i), 3.9, 5.2, 6.1 and 10.2 be of no further force and effect save and except for any obligations of Endeavour incurred prior to the effective date of termination.

3.6 Once Endeavour has completed the Expenditures, made all the payments as specified in Section 3.2 and conducted work and allocated Expenditures as specified in Section 3.3 on the terms set out herein and completed a Preliminary Economic Assessment, Endeavour will have exercised the Option and have acquired an undivided 75% Joint Venture Interest pursuant to this Agreement.

3.7 The Option described in this Agreement is an option only and except for the payment required in Section 3.2(a)(i) which is obligatory, and except as specifically provided otherwise, nothing herein contained will be construed as obligating Endeavour to do any acts or make any payments hereunder except as otherwise set forth, and any act or acts or payment or payments as may otherwise be made hereunder will not be construed as obligating Endeavour to do any further act or make any further payment or payments.

3.8 Expenditures incurred by any date in excess of the amount of Expenditures required to be incurred by such date shall be carried forward to the succeeding period and qualify as Expenditures for the succeeding period. If Expenditures incurred by any date are less than the amount of Expenditures required to be incurred by such date, Endeavour may pay the deficiency to or at the direction of Avino in cash within sixty (60) days after such date, in order to maintain the Option in good standing. Such payments of cash in lieu of Expenditures shall be deemed to be Expenditures incurred on the Property on or before such date. For greater certainty, if Expenditures incurred by any date are more than the amount of Expenditures required to be incurred by such date, Endeavour may credit such Expenditures to the next Expenditure period as outlined in section 3.2(b).

3.9 After the Effective Date, Endeavour hereby indemnifies and agrees to hold harmless Avino against any losses, claims and liabilities arising out of or in respect of Endeavour failing to maintain the Property in good standing for the benefit of Avino in accordance with this Agreement.

4. **COVENANTS OF AVINO**

4.1 During the currency of this Agreement, Avino will and will cause the Subsidiary to:

(a) not do any other act or thing which would or might in any way adversely affect the rights of Endeavour hereunder, including without limitation selling, assigning, encumbering or otherwise dealing with or affecting the Property;

(b) make available to Endeavour and its representatives all available relevant technical data, geotechnical reports, maps, digital files and other data with respect to the Property in Avino's or the Subsidiary's possession or control, including rock and soil samples, and all records and files relating to the Property and permit Endeavour and its representatives at their own expense to take abstracts therefrom and make copies thereof;

(c) promptly provide Endeavour with any and all notices and correspondence received by Avino or the Subsidiary from government agencies or other parties in respect of the Property;

(d) cooperate fully with Endeavour in obtaining any surface and other rights, permits or licences on or related to the Property as Endeavour deems desirable, provided that Endeavour shall be responsible for payment of all of the cost for services provided by Avino personnel at industry standard rates for such services;

(e) grant to Endeavour, its employees, agents and independent contractors, the sole and exclusive right and option to:

(i) enter upon the Property for the purpose of, and to do such prospecting, exploration, development or other mining work thereon and thereunder as Endeavour in its sole discretion may consider advisable;

(ii) bring and erect upon the Property such equipment and facilities as Endeavour may consider advisable; and

(iii) remove from the Property and dispose of material for the purpose of testing;

(f) following execution of this Agreement and the exercise of the Option, register or cause to be registered with the applicable mineral title registry or regulatory agency transfers of an undivided 75% interest in and to the Property in favour of Minera Plata, which transfers may be recorded by Minera Plata at all such places of record as may be appropriate or desirable to effect the legal transfer an undivided 75% interest in and to the Property to Minera Plata, but Minera Plata shall hold such interest in the Property at all times subject to the terms of this Agreement; and

(g) immediately advise Endeavour by notice in writing of any default in any requirements for maintenance of the Property in good standing and provide Endeavour with copies of all communications relating thereto.

5. **COVENANTS OF ENDEAVOUR**

5.1 During the term of the Option, Endeavour shall and shall cause Minera Plata to:

(a) keep the Property free and clear of all Liens arising from its operations hereunder (except liens for taxes not yet due, other inchoate liens or liens contested in good faith by Endeavour) and proceed with all diligence to contest or discharge any Lien that is filed;

(b) pay or cause to be paid all claim holding taxes levied on the Property;

(c) permit Avino, or its representatives duly authorized by it in writing, at its own risk and expense, access to the Property at all reasonable times and to all records and reports, if any, prepared by Endeavour in connection with work done on or with respect to the Property, and furnish Avino activity reports on or before the end of the month immediately following the quarter in respect of the work carried out by Endeavour on the Property during the previous quarter; and

(d) conduct all work on or with respect to the Property in a careful and miner-like manner and in compliance with all applicable federal, provincial and local laws, rules, orders and regulations, and indemnify and save Avino harmless from any and all claims, suits, demands, losses and expenses including, without limitation, with respect to environmental matters, made or brought against it as a result of work done or any act or thing done or omitted to be done by Endeavour on or with respect to the Property.

5.2 In the event of termination of the Option for any reason other than through the exercise thereof, Endeavour will have the right (and, if requested by Avino within 90 days of the effective date of termination, the obligation) to remove from the Property within six months of termination of this Agreement all facilities erected, installed or brought upon the Property by or at the instance of Endeavour, failing which, the facilities shall become the property of Avino.

6. **EXCLUSION OF MINERAL CLAIMS**

6.1 Endeavour shall have the right at any time and from time to time following the first anniversary of the date of execution of this Agreement to exclude from this Agreement any portion of the Property by written notice to Avino of its election so to do; PROVIDED THAT any of the mineral rights so excluded shall be kept in good standing by Endeavour or Minera Plata for a period of at least twelve (12) months after the said notice has been given; AND PROVIDED FURTHER that within such twelve (12) month period, if Minera Plata is the registered owner, it shall, if requested by Avino in writing, deliver at Avino's cost registrable transfers of the mineral rights so excluded in favour of Avino.

7. **THE JOINT VENTURE**

7.1 If Endeavour exercises the Option as set out in Section 3, then, as of the exercise date of the Option, a Joint Venture will have been formed between Avino and Endeavour with respect to the Property in accordance with the terms set out in Schedule "C". The Property shall thereupon become a Joint Venture Asset.

7.2 Expenditures, if any, in excess of those required to maintain the Option in good standing which have been committed or incurred by Endeavour at the time of formation of the Joint Venture will be carried forward as Endeavour's contribution to Joint Venture programs under the Joint Venture.

7.3 Upon formation of the Joint Venture, the Parties agree to take all commercially reasonable efforts to negotiate and execute a definitive binding joint venture agreement based substantially on the form of the Model Joint Venture Agreement for mining companies most recently published by the Continuing Legal Education Society of British Columbia which shall supersede this Agreement and contain all of the terms and conditions of this Agreement where applicable, including the Joint Venture terms contained in Schedule "C" attached hereto, within 90 days of formation of the Joint Venture.

8. **CONFIDENTIALITY**

8.1 All matters concerning the execution and contents of this Agreement, the Joint Venture, and the Property shall be treated as and kept confidential by the Parties and there shall be no public release of any information concerning the Property without the prior written consent of the other Party, such consent not to be unreasonably withheld; except as required by applicable securities laws, the rules of any stock exchange on which a Party's shares are listed or other applicable laws or regulations. Notwithstanding the foregoing the Parties are entitled to disclose confidential information to prospective investors or lenders, who shall be required to keep all such confidential information confidential.

8.2 Each Party shall provide the other with a copy of any news release it proposes to publish relating to the Property or this Agreement prior to publication of the same for the other Party's review which shall not be unreasonably delayed in view of any timely disclosure obligations which may be applicable. Each Party shall use its reasonable efforts to provide any comments it may have to the other Party forthwith, but in any event within one Business Day.

9. **RIGHT OF FIRST REFUSAL**

9.1 In the event that either party wishes to sell any or all of its interest in the Property, (the "**Offeror**"), the Offeror shall first give the other party (the "**Offeree**") notice in writing containing an offer to sell to it such interest specifying the price in dollars and other terms and conditions for such sale. If within a period of 60 days of the receipt of such notice the Offeree notifies the Offeror in writing that it wishes to accept the offer, the Offeror shall be bound to sell such interest to the Offeree at such price and on the terms and conditions contained in the offer. If the Offeree elects not to accept the offer or fails to notify the Offeror before the expiration of the time herein limited that it will purchase the interest offered, the Offeror may sell and transfer such interest to any third party or parties, at the price, terms and conditions specified in the offer for a period of four months following the date of the Offeree's election not to accept the offer or expiry of the 60-day period, whichever occurs earlier, after which such interest shall again be subject to this Section 9.1. The right of the Offeree under this Section 9 shall continue while the Option remains in good standing, failing which the right shall terminate.

9.2 Avino acknowledges and agrees that the provisions of section 9.1 shall not apply to the assignment or transfer of any interest in the Property by Endeavour to Arcelia pursuant to Endeavour's obligations under the Arcelia Agreement.

10. **TERMINATION**

10.1 Subject to Section 3.8, in addition to any other termination provisions contained in this Agreement, this Agreement and the Option shall terminate if Endeavour should be in default in performing any requirement herein set forth in a timely manner and has failed to take reasonable steps to cure such default within 30 days after the giving of written notice of such default by Avino.

10.2 In the event of termination of this Agreement, Endeavour shall:

(a) maintain the Property in good standing for a period of at least six (6) months after the notice of termination has been given; and provided further that within such six (6) month period, if Endeavour is the registered owner, it shall, if requested by Avino in writing, deliver at Avino's cost registrable transfers of the mineral rights so excluded in favour of Avino;

(b) deliver to Avino any and all reports, samples, drill cores and engineering data of any kind whatsoever pertaining to the Property or related to mining work which has not been previously delivered to Avino; and

(c) perform or secure the performance of all reclamation and environmental rehabilitation as may be required by all applicable legislation with all costs contributing to Expenditures and after exercise of the Option, being a Joint Venture expenditure.

11. **ARBITRATION**

11.1 If any question, difference or dispute shall arise between the Parties or any of them in respect of any matter arising under this Agreement or in relation to the construction hereof the same shall be determined by the award of one arbitrator to be named as follows:

(a) the Party or Parties sharing one side of the dispute shall name a representative to select an arbitrator and give notice thereof to the Party or Parties sharing the other side of the dispute;

(b) the Party or Parties sharing the other side of the dispute shall, within 14 days of receipt of the notice, name a representative to select an arbitrator; and

(c) the two representatives so named shall, within 30 days of the naming of the latter of them, select a third person who shall act as arbitrator.

The decision of the arbitrator shall be made within 60 days after selection. The expense of the arbitration shall be borne equally by the parties to the dispute. If the Parties on either side of the dispute fail to name their representative within the time limited or fail to proceed with the arbitration, reference for appointment of an arbitrator shall be made to the British Columbia International Arbitration Centre. The arbitration shall take place in Vancouver, B.C. The language of the arbitration shall be English. The arbitration shall be conducted in accordance with the provisions of the *Commercial Arbitration Act* (British Columbia). The decision of the arbitrator shall be conclusive and binding upon all the Parties.

12. **OPERATOR**

12.1 Until a Joint Venture is formed under Section 7 or alternatively, termination of the Option and this Agreement shall have occurred under Section 10 hereof:

(a) Endeavour shall be the operator of the Property (the "**Operator**"); and

(b) The Operator shall be responsible for making the Expenditures to be incurred by Endeavour under the terms of this Agreement, for complying with all applicable laws and regulations with respect to its operations on the Property, for making all filings and doing all other things necessary to maintain the mineral claims comprising the Property in good standing, for securing and complying with all work permits and for performance of any reclamation required on the Property in respect of its operations.

13. **CONDITIONS PRECEDENT**

13.1 Except for the payment pursuant to Section 3.2(a)(i), the obligations of Endeavour under this Agreement are subject to the fulfilment within 30 days after the Effective Date of the following conditions precedent for the exclusive benefit of Endeavour:

(a) completion of a review by Endeavour of title to the Property to the satisfaction of Endeavour;

(b) Avino furnishing to Endeavour all technical data with respect to the Property within 10 days of the Effective Date and Endeavour completing a review of such data to its satisfaction; and

(c) all requisite approval by the Board of Directors of each of Avino and Endeavour.

14. **GENERAL**

14.1 Avino acknowledges that Endeavour is party to the Arcelia Agreement with Arcelia covering mineral properties surrounding and contiguous with the Property and accordingly, no area of interest shall extend outwards from the Property.

14.2 Neither Party may assign this Agreement or any rights hereunder in the Property without complying with the provisions of section 9.1 or as permitted under section 9.2 without the prior written consent of the other, such consent not to be unreasonably withheld. Notwithstanding this Section 14.2, a Party may assign this Agreement to an Affiliate or an Associate (as those terms are defined in the Business Corporations Act (British Columbia)) by delivering notice to that effect to the other Party provided that such transferee first signs an agreement, in form and substance acceptable to the other Party, agreeing to be bound by the terms of this Agreement. For greater certainty, nothing herein shall prevent any party from entering into any corporate reorganization, merger, amalgamation, take-over bid, plan of arrangement, or any other such corporate transaction which has the effect of, directly or indirectly, selling, assigning, transferring, or otherwise disposing of all or a part of the rights under this Agreement to a purchaser.

14.3 This Agreement inures to the benefit of and binds the Parties and their respective successors and permitted assigns.

14.4 Each Party shall from time to time promptly execute and deliver all further documents and take all further action reasonably necessary or desirable to give effect to the terms and intent of this Agreement.

14.5 No waiver of any term of this Agreement by a Party is binding unless such waiver is in writing and signed by the Party entitled to grant such waiver. No failure to exercise, and no delay in exercising, any right or remedy under this Agreement shall be deemed to be a waiver of that right or remedy. No waiver of any breach of any term of this Agreement shall be deemed to be a waiver of any subsequent breach of that term.

14.6 No amendment, supplement or restatement of any term of this Agreement is binding unless it is in writing and signed by both Parties.

14.7 Notwithstanding any term in this Agreement, if a Party is at any time delayed from carrying out any action under this Agreement due to circumstances beyond the reasonable control of such Party (aside from circumstances arising from the financial difficulty of such Party), acting diligently, the period of any such delay shall be excluded in computing, and shall extend, the time within which such Party may exercise its rights and/or perform its obligations under this Agreement. A Party relying on the provisions of this section, insofar as possible, shall promptly give written notice to the other Party of the particulars of such circumstances and shall give written notice to the other Party as soon as such circumstances ceases to exist.

14.8 Each of the Parties hereto covenants, agrees and acknowledges that each of them was fully and plainly instructed to seek and obtain independent legal and tax advice regarding the terms and conditions and execution of this Agreement and each of them has sought and obtained such legal and tax advice and acknowledges that each has executed this Agreement voluntarily understanding the nature and effect of this Agreement after receiving such advice.

14.9 Any notice or other communication required or permitted to be given under this Agreement must be in writing and shall be effectively given if delivered personally or by overnight courier or if sent by fax, addressed in the case of notice to Avino or Endeavour, as the case may be, to its address set out on the first page of this Agreement. Any notice or other communication so given is deemed conclusively to have been given and received on the day of delivery when so personally delivered, on the day following the sending thereof by overnight courier, and on the same date when faxed (unless the notice is sent after 4:00 p.m. (Vancouver time) or on a day which is not a Business Day, in which case the fax will be deemed to have been given and received on the next Business Day after transmission). Either Party may change any particulars of its name, address, contact individual or fax number for notice by notice to the other party in the manner set out in this Section 14.9. Neither Party shall prevent, hinder or delay or attempt to prevent, hinder or delay the service on that party of a notice or other communication relating to this Agreement.

14.10 Any payment made under this Agreement from one Party to the other may be made by cheque by personal delivery or overnight courier to the appropriate address set out in Section 14.9.

14.11 This Agreement may be executed by facsimile and in any number of counterparts. Each of which shall constitute one and the same agreement.

The parties have duly executed this Agreement as of the date and year first written above.

AVINO SILVER & GOLD MINES LTD.

By: *"David Wolfin"*
Authorized Signing Representative

ENDEAVOUR SILVER CORP.

By: *"Bradford Cooke"*
Authorized Signing Representative

SCHEDULE "A" - DESCRIPTION OF THE PROPERTY

PANUCO PROJECT MINERAL CONCESSIONS

OPTIONED PRIVATELY-OWNED MINERAL CONCESSIONS

Claim Name:	El Laberinto
Claim no.:	218799
Location:	Panuco
Type:	Explotacion
Hectares:	91.7097
Registration Date	January 17, 2003

Location Map

SCHEDULE "B" – PROPERTY OBLIGATIONS

Avino has been paying the annual maintenance fee to keep the property in good standing. Upon signing of this Agreement, Endeavour will be obligated to pay this annual maintenance fee as per the Option Agreement.

SCHEDULE "C" - JOINT VENTURE TERMS

In this Schedule "C", terms and expressions given a defined meaning in the Agreement to which this Schedule "C" is attached shall have the corresponding meaning in this Schedule "C".

1. **RELATIONSHIP OF PARTIES**

The relationship of the Parties in the Joint Venture shall not be, and shall not be construed to be, a partnership relationship, an agency or legal representative relationship or a fiduciary relationship. Except as otherwise expressly provided in this Schedule "C", the rights, privileges, powers, duties, liabilities and obligations of the Parties shall be as joint venturers and shall be several and not joint or joint and several.

2. **CALCULATION OF JOINT VENTURE INTERESTS**

The following provisions shall apply until such time as the Parties have entered into the definitive Joint Venture Agreement until which time the Agreement to which this Schedule "C" is attached will continue to govern the relations between them.

2.1 **Initial Calculation.** On the date that the Joint Venture is formed as a result of the exercise of the Option, Avino and Endeavour are deemed to have the following Joint Venture Interests:

	Avino	**Endeavour**
Deemed Expenditures:	**$ 750,000**	**$ 2,250,000**
Joint Venture Interest	25%	75%

2.2 **Calculation on Ongoing Basis**. Avino's and Endeavour's, as the case may be, Joint Venture Interest, calculated at any time and from time to time, shall be determined in accordance with the formula:

$$A = \frac{B \times 100\%}{C}$$

where

(a) A is Avino's or Endeavour's, as the case may be, Joint Venture Interest;

(b) B is an amount equal to Avino's or Endeavour's, as the case may be, deemed Expenditures under Section 2.1 of this Schedule "C", plus all of Avino's or Endeavour's, as the case may be, Expenditures made after the formation of the Joint Venture; and

(c) C is an amount equal to the Parties' total deemed Expenditures under Section 2.1 of this Schedule "C" plus all of the Parties' Expenditures made after the formation of the Joint Venture.

2.3 **Conversion of Joint Venture Interest**. If Avino's or Endeavour's Joint Venture Interest is reduced to 10% or less, then Avino's or Endeavour's, as the case may be, Joint Venture Interest shall be converted to a 2.5% Net Smelter Returns royalty as provided for in Schedule "D" to the Agreement, which shall be reduced by the amount of any underlying royalty payable on the Property. The Joint Venture shall terminate upon such conversion, and the surviving Party shall become the sole owner of a 100% interest in the Property subject to the Net Smelter Returns royalty and any other underlying royalties. The surviving party shall have a right of first refusal to match any third party offer to purchase the royalty.

3. **MANAGEMENT COMMITTEE**

3.1 **Establishment.** Promptly upon the formation of the Joint Venture, the Parties shall establish the Management Committee. One Representative and one alternate shall be appointed in writing by each Party and re-appointed from time to time.

3.2 **Powers and Obligations**. Except as expressly provided otherwise in this Agreement, the Management Committee is empowered to make all strategic and planning decisions regarding the Joint Venture. Accordingly, the Management Committee is responsible for revising Programs submitted by the Operator, for approving all Programs and for evaluating the results of all Programs.

3.3 **Calling of Meetings**. Meetings of the Management Committee shall be held in Vancouver, British Columbia at such place, time and date as may be determined by the Operator or the non-Operator on at least 15 days' notice. The Representatives may waive the notice period required for any meeting. Any notice must include the time, date, place and agenda of each meeting. On receipt of any such notice, the receiving Party may add any item to the agenda, if the receiving Party notifies the other Party of the addition at least 7 days before the meeting. No item which is not on the agenda may be discussed without the consent of the Representatives. Individuals other than the Representatives may attend meetings of the Management Committee with the unanimous consent of the Representatives.

3.4 **Attendance at Meeting by Phone**. Any Representative may attend a meeting of the Management Committee by telephone or video conference call.

3.5 **Quorum at Meetings**. The quorum for any meeting of the Management Committee is one Representative from each of the Parties. If a quorum is not present at the date, time and place set for a meeting, then the meeting shall be adjourned to the same place and time on the same day of the following week. At the continuation of the adjourned meeting the Management Committee may conduct business, if a notice regarding the continuation of the adjourned meeting was sent to the Party whose Representative did not attend the meeting as originally scheduled. In no other circumstance may business be transacted at a meeting of the Management Committee without a quorum being present.

3.6 **Chairman and Secretary of Meetings**. The initial chairman of the Management Committee (the "**Chairman**") shall be determined by Endeavour and thereafter designated annually by the Party with the greater Joint Venture Interest. The Chairman shall appoint a secretary to act as a secretary of the Management Committee at the beginning of each meeting of the Management Committee. Such secretary shall carry out the duties of the secretary of the Management Committee until such secretary's replacement is appointed. The secretary shall prepare and maintain minutes of each meeting of the Management Committee. The secretary shall distribute to the Representatives such minutes, as soon as practicable following each meeting. The secretary shall also maintain, and distribute to the Representatives, copies of all correspondence and instruments received, sent or signed by the Management Committee or the Representatives (when acting in the capacity of a Representative).

3.7 **Making Decisions**. All decisions of the Management Committee shall be by majority vote by the two voting Representatives, who shall each have the number of votes equal to each 1% of such Representative's respective Party's Joint Venture Interest from time to time. In the event of an equality of votes, there shall be no additional or casting vote. Alternatively, the Management Committee may transact any business by a written instrument signed by a Representative of each Party. Each decision of the Management Committee shall be final and binding on the Parties.

3.8 **Consent of Management Committee Required**. Notwithstanding any term in this Agreement, the Operator shall not take any of the following actions without obtaining the prior written consent of the Management Committee:

(a) create, or permit to remain, any material Liens, upon any Joint Venture Asset, except for any Liens which are customary in the circumstances of an mining joint venture;

(b) settle any suit, claim or demand with respect to the Joint Venture involving an amount in excess of $100,000; or

(c) abandon, sell or otherwise dispose of a Joint Venture Asset having a net book value greater than $100,000 or, if related to normal business operations, a net book value greater than $250,000.

The Operator shall not abandon, sell or otherwise dispose of the Property, or any material part thereof without obtaining the prior written consent of the Management Committee.

4. **THE OPERATOR, ITS POWERS AND OBLIGATIONS**

4.1 **Initial Operator.** Upon the formation of the Joint Venture, Endeavour shall be the first Operator.

4.2 **Resignation and Replacement**. The Operator may resign as Operator upon notifying the non-Operator in writing of its resignation at any time after a Program has been approved by the Management Committee but before the commencement of the implementation of such Program, or at any time if no Program is being carried out at that time. The Operator shall be deemed to have resigned if:

(a) the Operator materially defaults in its obligations as operator hereunder and fails to commence and diligently prosecute measures to remedy such default within 30 days after the non-Operator shall have given written notice to the Operator of such default specifying in such notice the nature of the default; or

(b) the Joint Venture Interest of the Operator becomes less than 50%.

In the event of the occurrence of (a) or (b) above, the Party that was previously the non-Operator shall have the right within a period of 90 days of the occurrence of such event to prepare and deliver to the Management Committee a Program and the provisions of this Section 4.2 and Section 5 of this Schedule “C” shall for all purposes of this Schedule “C” apply mutatis mutandis as if for such Program the non-Operator was the Operator, provided further that notwithstanding the foregoing, Endeavour so long as it retains at least a 50% interest in the Joint Venture, shall continue to have the right to retain its position as Operator in accordance with this Section 4.2 following completion of a Program by the non-Operator.

On any change or replacement of the Operator, the retiring Operator shall transfer all data, documents, reports, records, accounts, samples and assays in its possession or control, and relating to the Mining Operations or the Property, to the incoming Operator.

4.3 **Powers and Obligations**. Subject to the approval of each Program by the Management Committee and to funds being advanced by the Parties who have elected to contribute to such Program, the powers and obligations of the Operator shall be as follows:

(a) to manage the Joint Venture and conduct, or cause to be conducted, all work performed under a Program in a good and workmanlike manner in accordance with good exploration, engineering and mining practice and in accordance with the terms of this Agreement;

(b) to submit each Program to the Management Committee for approval by delivering the Program to the Representatives at least 30 days in advance of the meeting of the Management Committee at which such Program is to be considered;

(c) subject to Section 3.8 of this Schedule "C", to keep the Property in good standing and to pay all applicable payments, fees and taxes, and other similar governmental charges lawfully levied or assessed in respect of the Property, except that the Operator shall not be obliged, however, to make any such payment as long as such payment is being contested in good faith and the non-payment thereof does not adversely affect the Property;

(d) subject to Sections 6, 7 and 8 of this Schedule "C", to provide, purchase, lease or rent all plant, buildings, machinery, equipment, tools, appliances, materials, supplies and services required for a Program and to dispose of the same when no longer required or useful for the purposes of the Property and the Joint Venture;

(e) to maintain and keep the Joint Venture Assets, or to cause the Joint Venture Assets to be maintained and kept, in good operating condition and repair in accordance with good exploration and mining practice;

(f) to comply with all applicable statutes, regulations, by-laws, laws, orders and judgements and all directives, rules, consents, permits, orders, guidelines, approvals and policies of any applicable governmental authority affecting the Joint Venture;

(g) to obtain and maintain such types and levels of property and liability insurance with respect to the Joint Venture as the Operator shall consider necessary from time to time, such coverage to include the non-Operator as a named insured to the extent of the non-Operator's undivided interest in the Joint Venture from time to time;

(h) to require the Operator's contractors and subcontractors to take out and maintain such types and levels of property and liability insurance as the Operator shall consider necessary or advisable from time to time and to comply with the requirements of all applicable unemployment insurance and workers' compensation legislation with respect to work or services to be provided by such contractors or subcontractors;

(i) to advise the non-Operator of any accident or occurrence resulting in any material damage to or destruction of any Joint Venture Assets or material harm or injury to any individual;

(j) to keep adequate data, information and records of the Operator's management of the Joint Venture and to keep suitable accounts which reflect all financial aspects of the Joint Venture and once per year to make such available to the non-Operator, at the place designated by the Operator, within ten days of receipt of a written request for disclosure by the non-Operator;

(k) to provide the non-Operator with monthly reports on activities on the Property during periods of active field work or when mine operations are active, quarterly reports and a detailed annual report on the Operator's management of the Joint Venture, including an accounting of all Expenditures made by the Operator under the current or previous Program;

(l) to permit the non-Operator, at the non-Operator's sole risk and expense and with prior notice to the Operator, access to the Property during normal working hours for the purpose of examining activities and work thereon so long as such access shall not materially interfere with or impair such activities and work;

(m) to have all powers necessary to carry out, or cause to be carried out, all of the Operator's obligations set out in this Agreement and to otherwise carry out, or cause to be carried out, all Programs approved by the Management Committee; and

(n) the Operator shall be entitled for greater certainty to charge a 7% administration fee as eligible Expenditures, excepting Expenditures consisting of payments to third party contractors for contracts in excess of $50,000, for which the administration fee shall be 5%.

4.4 **Emergencies**. In an emergency, the Operator, without the consent of the non-Operator, may take such immediate actions and make such immediate Expenditures as the Operator deems necessary to keep the Property in good standing or for the protection of individuals and/or property. The Operator shall promptly report such emergency actions and Expenditures to the non-Operator by delivering an invoice to the non-Operator. The non-Operator shall pay its share of the Expenditures to the Operator in accordance with Section 5.4 of this Schedule “C”.

4.5 **Contingency Fund.** The Operator may establish and administer a contingency fund to be applied by the Operator to satisfy any legal obligations of the Parties respecting a mine maintenance plan or mine closure plan, including obligations for severance pay, pensions, rehabilitation and reclamation work. Each Party shall contribute its proportionate share of such fund based on such Party's Joint Venture Interest at the time of the establishment of the fund (or at the time of the contribution, in respect of subsequent contributions). The Operator shall invest any unused portion of such fund and all income thereon shall accrue in such fund. If the Operator determines that such fund, or any portion thereof, is no longer necessary, the Operator shall make payments to the Parties in proportion to their contribution to such contingency fund on the date of such payments.

5. **PROGRAMS**

5.1 **Contents of Program.** The Operator shall prepare a Program and submit such Program budget to the Management Committee for approval at least 30 days before the beginning of each calendar year. The Management Committee must approve each Program prior to implementation. Each Program shall cover a period of up to 12 months or such other period as the Parties may agree. Each Program must contain:

(a) a reasonably detailed outline of all work which the Operator contemplates carrying out on the Property under such Program detailing the areas on the Property to be subject to such work and the time frame for each of the major elements of such work;

(b) a reasonably itemized budget, broken down by month, of the projected Expenditures under the Program; and

(c) the estimated amount and date of each payment that the non-Operator would have to make to the Operator.

5.2 **Election by Representatives.** If the Operator proposes a Program which is approved by the Management Committee:

(a) for $1,000,000 or lesser amounts, the Representatives shall then have 60 days to elect whether or not to participate in the Program; or

(b) for more than $1,000,000, the Representatives shall then have 90 days to elect whether or not to participate in the Program.

5.3 **Approved Programs**. The Operator shall carry out each Program approved by the Management Committee provided the Parties who have elected to contribute to such Program provide the Operator with their proportionate share of the funding in respect of the Program.

5.4 **Payments to Operator**. If a Representative elects to participate in a Program on behalf of a Party, the Operator will submit an invoice to such Representative on or between the first and 15th day of the month immediately preceding a month in which Expenditures are to be made under a Program. The invoice must set out the estimated Expenditures under the Program for the immediately following month, multiplied by the Joint Venture Interest of such Party. Within 30 days of receipt of such invoice, such Party shall pay the Operator the invoice amount. The Operator may also submit other invoices relating to reconciliations, bills, accounts or other requests for payment in respect of any Expenditures made by the Operator under a Program or otherwise in accordance with this Agreement. Such invoice must set out the total amount involved, multiplied by the participating Party's Joint Venture Interest. Within 30 days of receipt of such invoice, such Party shall pay the Operator the invoice amount. If such Party fails to make any payment to the Operator under this Section 5.4 of this Schedule "C" within any applicable 30 day payment period, after previously having elected to do so, such Party shall make such payment together with an interest payment, calculated at the rate equal to the annual rate of interest announced from time to time by the Bank of Montreal as its reference rate then in effect for determining interest rates on Canadian dollar commercial loans in Canada (commonly known as its prime rate), plus 5%, for the period commencing on the expiry of such 30 day payment period and terminating on the date that full payment is made. If such Party fails to make full payment, including in respect of interest, to the Operator within 60 days of the expiry of the applicable 30 day payment period, Section 5.6 of this Schedule "C" applies.

5.5 **Failure to Participate**. Subject to Sections 5.7 and 5.8 of this Schedule "C", if a Party does not elect to participate in a Program, its Joint Venture Interest shall be diluted with respect to Expenditures made in respect of such Program in accordance with Section 2.2 of this Schedule "C".

5.6 **Failure to Make Payment by non-Operator.** Subject to Sections 5.7 and 5.8 of this Schedule "C", if a Party which has elected to participate in a Program fails to make a required payment within the 60 day period referred to in Section 5.4 of this Schedule "C", such Party's Joint Venture Interest shall be diluted with respect to Expenditures made in respect of such Program at a rate of two times normal dilution.

5.7 **Failure to Spend at Least 80% of Budget**. If a Party does not elect to participate in a Program and the Operator does not make Expenditures under the Program at least equal to 80% of budgeted Expenditures, the non-participating Party shall not have its Joint Venture Interest reduced in accordance with Section 2.2 of this Schedule "C" if the non-participating Party pays the Operator within 60 days, following the completion of such Program, an amount equal to the total Expenditures made under such Program, multiplied by the non-participating Party's Joint Venture Interest, determined at the commencement of such Program.

5.8 **Expenditures More Than 10% Above Budget**. Expenditures made by the Operator exceeding the Expenditures contemplated by the Program by less than 10% will be funded by the Parties in proportion to their Joint Venture Interests. Expenditures made by the Operator exceeding the Expenditures contemplated by the Program by more than 10% will be funded solely by the Operator, unless otherwise agreed by the Parties in writing. Unless otherwise agreed by the Parties in writing, any such payments exceeding the Expenditures contemplated by the Program by more than 10% which are made by either the Operator or the non-Operator will not form part of the calculations used to determine the Joint Venture Interests of the Parties in accordance with Section 2.2 of this Schedule "C".

5.9 **Return of Surplus Monies**. If, after completion of any Program, the Operator is in possession of any moneys contributed by the Parties and which are not required for the discharge of obligations relating to such Program, the Operator shall repay such moneys to the contributing Parties.

5.10 **Failure to Submit Program to Management Committee**. If the Operator does not submit a Program involving Expenditures of at least $100,000 to the Management Committee for approval within a period of at least six months from the date of completion of the last Program (being when the report is complete and delivered to the non-Operator), then the non-Operator may propose a Program to the Management Committee for an amount not less than $100,000. If the non-Operator makes such a proposal and the Program is approved by the Management Committee, the Operator shall carry out such Program and fund its proportionate share. If the Management Committee does not approve such Program, the non-Operator may, notwithstanding Section 4.2 of this Schedule "C", become the Operator and carry out the Program. Following the completion of such Program Section 4.2 of this Schedule "C" shall apply once again.

6. **DEALINGS WITH AFFILIATES**

Any Joint Venture Assets that the Operator may purchase, lease or rent from an Affiliate shall be purchased, leased or rented at fair market value. The cost of all work which the Operator may contract to an Affiliate shall be equal to the fair market value of such work. Any Joint Venture Assets that the Operator may sell or otherwise dispose of to an Affiliate shall be sold or otherwise disposed of at fair market value. The Operator shall pay the net proceeds received in respect of such Joint Venture Assets, if any, to the Parties in proportion to their respective Joint Venture Interests. The Operator shall give the non-Operator written notice of any transaction with an Affiliate and the non-Operator may, at any time within 12 months after it has received such notice, dispute whether such transaction was at fair market value.

7. **USE OF SURPLUS JOINT VENTURE ASSETS**

Subject to Section 5.9 of this Schedule "C", the Operator may use any Joint Venture Assets which are no longer required for the Joint Venture for such other purposes and on such terms as the Operator may from time to time determine. The Operator shall pay the net proceeds received in respect of such Joint Venture Assets, if any, to the Parties in proportion to their respective Joint Venture Interests. If such surplus Joint Venture Assets are used by the Operator, outside the scope of the Joint Venture, or are used by an Affiliate of the Operator, outside the scope of the Joint Venture, then the net proceeds in respect of such use shall be deemed to be an amount equal to what could be obtained from an arms-length third party.

8. **DISPOSITION OF SURPLUS JOINT VENTURE ASSETS**

Subject to Section 3.8 of this Schedule "C", the Operator may from time to time sell or otherwise dispose of such part of the Joint Venture Assets as are no longer required for Joint Venture operations. The Operator shall pay the net proceeds received in respect of such Joint Venture Assets, if any, to the Parties in proportion to their respective Joint Venture Interests.

9. **INSURANCE PROCEEDS**

The Operator shall apply, to the extent determined by the Operator, any insurance proceeds received by the Operator in respect of any loss or damage to Joint Venture Assets towards the repair or replacement of the lost or damaged Joint Venture Assets. The Operator shall pay the remaining proceeds received in respect of such Joint Venture Assets, if any, to the Parties in proportion to their respective Joint Venture Interests.

10. **SETTLEMENT PAYMENTS**

Subject to Section 3.8(c) of this Schedule "C", all losses, costs, expenses, claims or damages, including legal fees and disbursements, net of any insurance proceeds, incurred and paid by the Operator in settlement of any loss, cost, expense, claim, damage, judgement or similar matter (including a payment made, or an action taken, by the Operator as a result of an action of a governmental agency) shall constitute an Expenditure made by the Operator under the applicable Program. In addition, the non-Operator, in proportion to its Joint Venture Interest calculated on the date that the initial liability was incurred which gives rise to this indemnification obligation, shall indemnify and hold harmless the Operator for any loss, cost, expense, claim or damage, including legal fees and disbursements, suffered or incurred by the Operator in respect of a third party claim (including an action of a governmental agency which results in a payment made, or an action taken, by the Operator), except to the extent that such claim arose from the gross negligence or willful misconduct of the Operator.

11. **LIABILITY OF OPERATOR**

The Operator shall not be liable to the non-Operator for any loss, cost, expense, claim or damage, including legal fees and disbursements, (including a payment made, or an action taken, by the Operator as a result of an action of a governmental agency) except to the extent that such loss, cost, expense, claim or damage is attributable to the gross negligence or willful misconduct of the Operator. In no event (including fundamental breach) shall the Operator be liable to the non-Operator for any indirect, special or consequential damages (including for loss of goodwill, loss of actual or anticipated profits or other economic loss), even if the Operator has been advised of the potential for such damages.

12. **NO RESTRICTION ON OTHER ACTIVITIES**

Each Party has the unrestricted right to engage in, and receive the full benefit of, any activity outside the scope of the Joint Venture, without consulting with, or accounting to, the other Party, or permitting the other Party to participate in such activity.

13. **TERMINATION**

If the Parties agree to terminate the Joint Venture, the Operator may take any actions necessary or desirable to wind up the Joint Venture. All costs, charges and expenses of winding up the Joint Venture (including in respect of any reclamation) shall be for the account of the Joint Venture and the Parties shall divide the net Joint Venture Assets in proportion to their Joint Venture Interests, although any loans advanced to the Joint Venture by a Party shall be satisfied before any other distribution of assets is made to the Parties. Once the said costs, charges and expenses have been paid in full, the Operator may sell the Joint Venture Assets, in accordance with Section 3.8 of this Schedule "C", or distribute the Joint Venture Assets to the Parties in kind.

14. **WITHDRAWAL FROM JOINT VENTURE**

14.1 Right of Withdrawal and Mechanics. Either Party may, at any time during the Joint Venture, voluntarily withdraw from the Joint Venture (the "**Withdrawing Party**") and forfeit its interest in and to the Property and its rights under this Agreement by giving written notice of such withdrawal to the other Party (the "**Remaining Party**"). The notice must indicate an effective date for such withdrawal which may not be earlier than 90 days after receipt of such notice. The effects of the delivery of such notice are set out below.

(a) The Withdrawing Party shall:

(i) remain liable for its share, based on its Joint Venture Interest, of all costs, expenses and obligations arising out of operations conducted before the effective date of the withdrawal;

(ii) secure by way of a letter of credit, or otherwise to the satisfaction of the Remaining Party, its share, based on its Joint Venture Interest, of the costs of reclaiming the Property, as estimated at the effective date of the withdrawal considering all applicable statutes, regulations, by-laws, laws, orders and judgements and with all directives, rules, consents, permits, orders, guidelines, approvals and policies of any governmental authority;

(iii) continue, for a period of three years after the effective date of the withdrawal, to be bound by Section 10 of this Schedule "C";

(iv) execute and deliver such documents as may be necessary to transfer the Property to the Remaining Party;

(v) remove, within 12 months of the effective date of the withdrawal, all buildings, machinery, equipment and supplies brought upon the Property by the Withdrawing Party that are not Joint Venture Assets; and

(vi) not be entitled to any royalty under this Agreement.

(b) The Remaining Party shall become the owner of a 100% of the Withdrawing Party's interest in and to the Property as of the effective date of the withdrawal.

(c) The Joint Venture shall be terminated and the Management Committee shall be terminated, as of the effective date of the withdrawal.

14.2 **Right of Remaining Party to Withdraw**. Upon receipt by the Remaining Party of a notice of withdrawal, the Remaining Party may give notice to the Withdrawing Party prior to the effective date of the withdrawal electing to join in the withdrawal ("**Joint Withdrawal**"). In such case, the Joint Venture shall be terminated in accordance with Section 13 of this Schedule "C".

15. **RIGHTS TO MINERAL PRODUCTS**

15.1 Each Party shall own and have the right, privilege and power to take in kind and separately dispose of a portion of all mineral products produced from the Property, in accordance with its Joint Venture Interest. The Operator shall designate and notify the Parties of the points of delivery situated on the Property for the Parties respective Joint Venture shares of such mineral product and all costs in respect of such mineral products shall be for the account of the Joint Venture, until such mineral products are delivered to such points. After such mineral products are delivered to such points each Party shall pay its own costs in respect of such mineral products. The Operator shall use its best efforts to ensure that each Party receives product of like quality.

15.2 The Operator shall have no obligation in respect of the Parties' mineral products after delivery of such mineral products to the point of delivery provided, however, that if a Party is prepared to sell its mineral products at the same time and on the same terms and conditions as the Operator is selling its own mineral products and so advises the Operator the Operator may, but is not obligated to, act as an agent for the Non-Operator in relation to the sale of the Non-Operator's mineral products on the terms and conditions that are equivalent to the terms and conditions obtained for its own mineral products. If the Operator elects to act as agent for the Non-Operator, it may discontinue such agency at any time upon giving the Non-Operator 30 days advance notice. If the Operator, while acting as the Non-Operator's agent, is of the opinion that 100% of its own mineral products and 100% of the Non-Operator's mineral products available for sale cannot be sold at the same time for revenue deemed acceptable by the Operator, the Operator shall arrange for sales of a lesser amount of each Party's mineral products on a pro rata basis. In the event that the Operator acts as an agent for the Non-Operator, the Operator shall be entitled to sale commissions equal to prevailing rates charged by other agents for effecting similar sales. In the event of a non-arm's length sale of mineral products, such sale shall be at commercially competitive rates.

SCHEDULE "D" – NET SMELTER RETURNS

1. For the purpose of this Schedule, "**Agreement**" shall mean the Agreement to which this Schedule is attached, "**Owner**" shall mean the party or parties paying a percentage of Net Smelter Returns pursuant to the Agreement and other capitalized terms shall have the meanings assigned to them in the Agreement.

2. For the purposes of the Agreement and this Schedule, the term "**Net Smelter Returns**" shall, subject to paragraphs 3, 4, 5 and 6 below, mean gross revenues received from the sale by the Owner of all ore mined from the Property and from the sale by the Owner of concentrate, metal and products derived from ore mined from the Property, after deduction of the following:

   (a) all smelting and refining costs, sampling, assaying and treatment charges and penalties including but not limited to metal losses, penalties for impurities and charges for refining, selling and handling by the smelter, refinery or other purchaser (including price participation charges by smelters and/or refiners);

   (b) costs of handling, transporting, securing and insuring such material from the Property or from a concentrator, whether situated on or off the Property, to a smelter, refinery or other place of treatment, and in the case of gold or silver concentrates, security costs;

   (c) ad valorem taxes and taxes based upon sales or production, but not income taxes; and

   (d) marketing costs, including sales commissions, incurred in selling ore, mined from the Property and from concentrate, metal and products derived from ore mined from the Property.

3. (a) Where revenue otherwise to be included under this Schedule is received by the Owner in a transaction with a Party with whom it is not dealing at arm's length, the revenue to be included shall be based on the fair market value under the circumstances and at the time of the transaction.

   (b) Where a cost otherwise deductible under this Schedule is incurred by the Owner in a transaction with a party with whom it is not dealing at arm's length, the cost to be deducted shall be the fair market cost under the circumstances and at the time of the transaction.

4. For the purposes of determining Net Smelter Returns, all receipts and disbursements in a currency other than Canadian shall be converted into Canadian currency on the day of receipt or disbursement, as the case may be, and all other disbursements in a currency other than Canadian shall be converted into Canadian currency at the average rate for the month of disbursement determined using the Bank of Canada noon rates.

5. The Owner and the person receiving a percentage of Net Smelter Returns hereby expressly agree that in no event shall the Owner have any liability to the person receiving a percentage of Net Smelter Returns as the result of the amount of revenues received by the Owner from any forward sales or other hedging activities engaged in and by the Owner with respect to ore concentrate, metal and products from the Property. In addition, the Owner and the person receiving a percentage of Net Smelter Returns agree that the Owner shall have no obligation, express or implied, to engage in (or not engage in) any forward sales or other hedging activities with respect to ore concentrate, metal or products from the Property. For greater certainty the person receiving a percentage of Net Smelter Returns will be paid for the amount of product actually produced from the Property calculated according to paragraph 2 of this Schedule regardless of the hedging practices of the Owner.

6. If the Property is brought into commercial production, it may be operated as a single operation with other mining properties owned by third parties or in which the Owner has an interest, in which event, the parties agree that (notwithstanding separate ownership thereof) ores mined from the mining properties (including the Property) may be blended at the time of mining or at any time thereafter; provided, however, that the respective mining properties shall bear and have allocated to them their proportionate part of costs described in paragraphs 2(a) to 2(d) above incurred relating to the single operation, and shall have allocated to each of them the proportionate part of the revenues earned relating to such single operation. In making any such allocation, effect shall be given to the tonnages of ore and other material mined and beneficiated and the characteristics of such material including the metal content of ore removed from, and to any special charges relating particularly to ore, concentrates or other products or the treatment thereof derived from, any of such mining properties. The Owner shall ensure that reasonable practices and procedures are adopted and employed for weighing, determining moisture content, sampling and assaying and determining recovery factors.

7. Payments of a percentage of Net Smelter Returns shall be made within thirty (30) days after the end of each calendar quarter in which Net Smelter Returns, as determined on the basis of final adjusted invoices, are received by the Owner. All such payments shall be made in Canadian dollars.

8. After the year in which commercial production is commenced on the Property, each person receiving a percentage of Net Smelter Returns from the Owner shall be provided quarterly within ninety days (90) after the end of each calendar quarter, with a copy of the calculation of Net Smelter Returns, determined in accordance with this Schedule, for the preceding calendar, certified correct by the Owner. The person receiving a percentage of Net Smelter Returns shall have the right, upon providing written notice to the Owner within sixty (60) days after receipt of such calculation, to conduct an independent audit, at its sole cost, and the Owner will provide such materials and information as reasonably necessary to allow the audit to be performed and, failing to provide such notice, such calculation shall be deemed correct.

9. Nothing contained in the Agreement or any Schedule attached thereto shall be construed as conferring upon any person receiving a percentage of Net Smelter Returns any right to or beneficial interest in the Property. The right to receive a percentage of Net Smelter Returns from the Owner as and when due is and shall be deemed to be a contractual right only. Furthermore, the right to receive a percentage of Net Smelter Returns by a party from the Owner as and when due shall not be deemed to constitute the Owner the partner, agent or legal representative of such party or to create any fiduciary relationship between them for any purpose whatsoever.

10. The Owner shall be entitled to (i) make all operational decisions with respect to the methods and extent of mining and processing of ore, concentrate, metal and products produced from the Property (for example, without limitation, the decision to process by heap leaching rather than conventional milling), (ii) make all decisions relating to sales of such ore, concentrate, metal and products produced and, (iii) make all decisions concerning temporary or long-term cessation of operations.

EXHIBIT 8.1

List of Subsidiaries

Name	Jurisdiction of Incorporation	Ownership Interest
Compañía Minera Mexicana de Avino, S.A. de C.V.	Mexico	99.28%
Promotora Avino S.A. De C.V.	Mexico	79.09%
Oniva Silver and Gold Mines S.A. de C.V.	Mexico	100%

EXHIBIT 11.1

AVINO SILVER & GOLD MINES LTD.
CODE OF ETHICAL CONDUCT

INTRODUCTION

This Code of Ethical Conduct ("Code") that applies to all directors, officers and employees (the “Executive and Staff”) of Avino Silver & Gold Mines Ltd. (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 the 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, this 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.

CODE PRINCIPLES AND RESPONSIBILITIES

Each Executive and Staff member shall adhere to and advocate to the best of their knowledge and ability the following principles and responsibilities governing their professional and ethical conduct:

1. Act with honesty and integrity, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships. A "conflict of interest" exists when an individual's private interests interfere or conflict in any way (or even appear to interfere or conflict) with the interests of the Company. Directors must also comply with all applicable corporate law requirements of notice and disclosure in connection any transactions where a conflict of interest exists or a potential conflict of interest may arise.

2. When disclosing information to constituents as may be permitted under the Communication Policy of the Company, provide them with information that is accurate, complete, objective, relevant, timely and understandable. Reports and documents that the Company files with the securities regulators or releases to the public should contain full, fair, accurate, timely and understandable information. The principal executive officer and principal financial officer shall review the annual and quarterly reports, and certify and file them with the applicable securities commissions.

3. Comply with rules and regulations of federal, provincial and local governments, and other appropriate private and public regulatory agencies.

4. Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts, or allowing their independent judgment to be subordinated.

5. Protect and respect the confidentiality of information acquired in the course of their work, except when authorized or otherwise legally obligated to disclose. Confidential information acquired in the course of their work shall not be used for personal advantage.

6. Achieve responsible use of and control over all assets and resources employed by or entrusted to them.

7. Promptly report code violations to the Company's Chair of the Board and Audit Committee Chair.

WAIVERS OF THE CODE

Any waiver of this Code for any person may be made only by the Audit Committee or the Board of Directors and will be promptly disclosed as required by law or the private regulatory body. Requests for waivers must be made in writing to the Company's Chair of the Board and Audit Committee Chair prior to the occurrence of the violation of the Code.

REPORTING OF VIOLATIONS OF THE CODE, ILLEGAL OR UNETHICAL BEHAVIOR

Any Executive and Staff member should report observed violations of the Code and illegal or unethical behavior to the Company's Chair of the Board and Audit Committee Chair. All reports will be treated in a confidential manner, and it is the Company's policy to not allow retaliation for reports made in good faith of misconduct by others. The Company's Audit Committee will lead all investigations of alleged violations or misconduct. All personnel are expected to cooperate in internal investigations of misconduct and violations of this Code.

VIOLATIONS OF THE CODE

All personnel who violate the standards of this Code will be subject to disciplinary action, which may include termination of employment, civil action and/or referral to law enforcement agencies for criminal prosecution.

AVINO SILVER & GOLD MINES LTD.

(the "Company")

AUDIT COMMITTEE CHARTER

April 2012

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AUDIT COMMITTEE CHARTER

1.0 Purpose of the Committee

1.1 The purpose of the Audit Committee is to assist the Board in its oversight of the integrity of the Company's financial statements and other relevant 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.

2.0 Members of the Audit Committee

2.1 At least one Member must be "financially literate" as defined under MI 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

2.2 The Audit Committee shall consist of no less than three Directors.

2.3 At least one Member of the Audit Committee shall be "independent" as defined under MI 52-110, while the Company is in the developmental stage of its business.

3.0 Relationship with External Auditors

3.1 The external auditors are the independent representatives of the shareholders, but the external auditors are also accountable to the Board of Directors and the Audit Committee.

3.2 The external auditors must be able to complete their audit procedures and reviews with professional independence, free from any undue interference from the management or directors.

3.3 The Audit Committee must direct and ensure that the management fully co-operates with the external auditors in the course of carrying out their professional duties.

3.4 The Audit Committee will have direct communications access at all times with the external auditors.

4.0 Non-Audit Services

4.1 The external auditors are prohibited from providing any non-audit services to the Company, without the express written consent of the Audit Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Company, the Audit Committee must consider that the benefits to the Company from the provision of such services, outweighs the risk of any compromise to or loss of the independence of the external auditors in carrying out their auditing mandate.

4.2 Notwithstanding section 4.1, the external auditors are prohibited at all times from carrying out any of the following services, while they are appointed the external auditors of the Company:

(i) acting as an agent of the Company for the sale of all or substantially all of the undertaking of the Company; and

(ii) performing any non-audit consulting work for any director or senior officer of the Company in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Company.

5.0 Appointment of Auditors

5.1 The external auditors will be appointed each year by the shareholders of the Company at the annual general meeting of the shareholders.

5.2 The Audit Committee will nominate the external auditors for appointment, such nomination to be approved by the Board of Directors.

6.0 Evaluation of Auditors

6.1 The Audit Committee will review the performance of the external auditors on at least an annual basis, and notify the Board and the external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standards, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee.

7.0 Remuneration of the Auditors

7.1 The remuneration of the external auditors will be determined by the Board of Directors, upon the annual authorization of the shareholders at each general meeting of the shareholders.

7.2 The remuneration of the external auditors will be determined based on the time required to complete the audit and preparation of the audited financial statements, and the difficulty of the audit and performance of the standard auditing procedures under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards ("IASB").

8.0 Termination of the Auditors

8.1 The Audit Committee has the power to terminate the services of the external auditors, with or without the approval of the Board of Directors, acting reasonably.

9.0 Funding of Auditing and Consulting Services

9.1 Auditing expenses will be funded by the Company. The auditors must not perform any other consulting services for the Company, which could impair or interfere with their role as the independent auditors of the Company.

10.0 Role and Responsibilities of the Internal Auditor

10.1 At this time, due to the Company's size and limited financial resources, the Secretary of the Company shall be responsible for implementing internal controls and performing the role as the internal auditor to ensure that such controls are adequate.

11.0 Oversight of Internal Controls

11.1 The Audit Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitored, and that such internal controls are effective.

12.0 Continuous Disclosure Requirements

12.1 At this time, due to the Company's size and limited financial resources, the Secretary of the Company is responsible for ensuring that the Company's continuous reporting requirements are met and in compliance with applicable regulatory requirements.

13.0 Other Auditing Matters

13.1 The Audit Committee may meet with the external auditors independently of the management of the Company at any time, acting reasonably.

13.2 The Auditors are authorized and directed to respond to all enquiries from the Audit Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Company.

14.0 Annual Review

14.1 The Audit Committee Charter will be reviewed annually by the Board of Directors and the Audit Committee to assess the adequacy of this Charter.

15.0 Independent Advisers

15.1 The Audit Committee shall have the power to retain legal, accounting or other advisors to assist the Committee.

EXHIBIT 11.3

AVINO SILVER & GOLD MINES LTD.

GOVERNANCE AND

NOMINATING COMMITTEE CHARTER

1. PURPOSE

The Governance and Nominating Committee (the "Committee") shall act in an advisory capacity only to the board of directors (the "Board") of Avino Silver & Gold Mines Ltd. (the "Company") (i.e. review/recommend matters to the Board) with respect to the governance and nominating matters. In this regard, the purpose of the 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.

2. COMPOSITION AND ORGANIZATION

2.1 Annually, following the Annual General Meeting of the Company, the Board shall elect from its members not less than three directors to serve on the Committee. The members of the Committee shall meet the independence requirements of the applicable NYSE AMEX rules.

2.2 The Board shall appoint one of the directors of the Committee as the Committee Chair (the "Committee Chair").

2.3 Each member shall hold office until the close of the next Annual General Meeting of the Company or until the member resigns or is replaced, whichever first occurs.

2.4 The Committee shall meet as required, but at least two times per year. Additional meetings may be held as deemed necessary by the Committee Chair or as requested by any two members.

2.5 The Chief Financial Officer shall act as management advisor to the Committee.

2.6 The Committee may invite such directors, officers and employees of the Company or other advisors as it may see fit from time to time to attend meetings and assist in the discussion and consideration of the business of the Committee.

3. DUTIES AND RESPONSIBILITIES

3.1 Governance

(i) Develop and monitor the Company's overall approach to corporate governance issues and, subject to approval by the Board, implement and administer this process.

(ii) Advise the Board or any of the committees of the Board of any corporate governance issues which the Committee determines ought to be considered by the Board or any such committees.

(iii) Review with the Board, on a regular basis, but not less than annually, the terms of reference for the Board, each committee of the Board, the Chairman and the Chief Executive Officer.

(iv) Review with the Board, on a regular basis, the methods and processes by which the Board fulfils its duties and responsibilities, including without limitation:

(a) the size of the Board;

(b) the number and content of meetings;

(c) the annual schedule of issues to be presented to the Board at its meetings or those of its committees;

(d) material which is to be provided to the directors generally and with respect to the meetings of the Board or its committees;

(e) resources available to the directors; and

(f) the communication process between the Board and management.

(v) Review and, as necessary, authorize a committee or an individual director to engage separate independent counsel and/or advisors at the expense of the Company in appropriate circumstances.

(vi) Make recommendation to the Board regarding changes or revisions to the Board's Corporate Governance Guidelines;

(vii) Evaluate and make recommendations to the Board concerning the appointment of directors to the committees and the selection of Board committee chairs;

(viii) Annually evaluate and report to the Board on the performance and effectiveness of the Board and its committees;

(ix) Annually, in conjunction with the Chief Executive Officer, evaluate the performance of the Company's management (other than the Chief Executive Officer). Conduct an annual review of succession planning and report its findings and recommendations to the Board;

(x) Evaluate and lead the Board's annual review of the Chief Executive Officer's performance; and

(xi) Annually review and evaluate its performance.

3.2 Nominations

(i) Annually, in consultation with the Chairman of the Board and the Chief Executive Officer, present to the Board a list of individuals recommended for election to the Board at the annual meeting of shareholders.

(ii) Before recommending an incumbent, replacement or additional director, review his or her qualifications, availability to serve, conflicts of interest and other relevant factors.

(iii) Review, monitor and make recommendations regarding new director orientation and the ongoing development of existing Board members.

4. ACCOUNTABILITY

4.1 The Committee shall report to the Board of Directors at its next meeting of deliberations and actions it has taken since the previous report.

4.2 The minutes of all meetings of the Committee will be made available for review by any member of the Board or request to the Chairman of the Committee.

Avino Silver & Gold Mines Ltd.

Charter of the Compensation Committee

I. Purpose

The Compensation Committee generally assumes responsibility for making recommendations to the Board of Directors on all matters relating to the compensation of directors, members of the various committees of the Board of Directors, the Chairman of the Board, officers and employees of the Company, as more specifically delineated in the responsibilities of the Compensation Committee set forth below. For the purposes of its mandate, the Compensation Committee will review all aspects of compensation paid to the directors, committee members, the Chairman of the Board, management and employees of other mining companies to ensure that the Company's compensation programs are competitive, and that the Company is in a position to attract, motivate and retain high-caliber individuals.

II. Compensation

The Compensation Committee will be comprised of at least two directors, all of whom will be "independent directors" in accordance with applicable legal requirements, including currently the requirements published by the Canadian Securities Administrators under NP 58-201 "Corporate Governance Guidelines". Each member will have skills and/or experience which are relevant to the mandate of the Committee.

The Committee members will be elected annually at the first meeting of the Board of Directors following the annual general shareholders meeting.

The Board of Directors may remove a member of the Committee at any time in its sole discretion by resolution of the Board of Directors. Unless a Chairperson is elected by the full Board of Directors, the members of the Committee may designate a Chairperson by majority vote of the full membership of the Committee.

III. Responsibilities

Responsibilities and powers of the Compensation Committee generally include, but are not restricted to undertaking the following:

- Monitoring and evaluating the performance of the President and Chief Executive Officer and other members of senior management.
- Annually reviewing and making recommendations to the Board of Directors upon the recommendation of members of senior management with respect to the Company's overall compensation and benefits philosophies and programs for employees, including base salaries, bonus and incentive plans, deferred compensation and stock option and/or restricted share rights. As part of its review process, the Compensation Committee will review peer group and other mining industry compensation data reported through surveys and other sources.

- Annually reviewing and making recommendations to the Board of Directors with respect to the Company's compensation and benefit programs for the President and Chief Executive Officer and other senior officers of the Company including base salaries, bonuses or other performance incentive, stock options and/or restricted share rights. In setting the President and Chief Executive Officer's salary, the Compensation Committee will take into consideration salaries paid to chief executive officers in the gold and general mining industry. The Committee will review and approve corporate goals and objectives relevant to the President and Chief Executive Officer on an annual basis. The President and Chief Executive officer's contribution towards the Company's achievement of corporate goals and objectives for the previous financial year will form the basis for the Compensation Committee's recommendations concerning bonus or other performance recognition awards.

- Reviewing and making recommendations to the Board of Directors with respect to the implementation or variation of stock option or restricted share rights plans, share purchases plans, compensation and incentive plans and retirement plans. Further, the Compensation Committee will ensure proper administration of the Company's existing share incentive plans, including the granting or making recommendations with respect to the granting of options or restricted share rights. The number of options granted or restricted share rights issued will give consideration to the potential contribution an individual may make to the success of the Company.

- Engaging and compensating (for which the Company will provide appropriate funding) any outside advisor that the Committee determines to be necessary to permit it to carry out its duties.

- Annually evaluating the performance of the Committee.

- The Compensation Committee will provide an annual report on executive compensation to the shareholders of the Company under Form 51-102F6 in the Management Information Circular prepared for the annual and general meeting of the shareholders, or any other disclosure documents, or on the Company's website.

IV. Meetings

The Committee will meet regularly at times necessary to perform the duties described above in a timely manner, but not less than once a year. Meetings may be held at times deemed appropriate by the Committee.

These meetings may be with representative or appropriate members of management, all either individually or collectively as may be required by the Chairman of the Committee.

The Chairman of the Committee will report periodically to the Board of Directors.

EXHIBIT 12.1

CERTIFICATION

I, David Wolfin, 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: May 14, 2013

/s/ David Wolfin
David Wolfin, Principal Executive Officer

EXHIBIT 12.2

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: May 14, 2013

/s/ Malcolm Davidson
Malcolm Davidson, Principal Financial Officer

EXHIBIT 13.1

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, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"). I, David Wolfin, 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: May 14, 2013

/s/ David Wolfin
David Wolfin, Principal Executive Officer

EXHIBIT 13.2

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, 2012 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: May 14, 2013

/s/ Malcolm Davidson
Malcolm Davidson, Principal Financial Officer

EXHIBIT 13.3

CONSENT OF EXPERT

I have reviewed the Annual Report of Avino Silver & Gold Mines Ltd. on Form 20-F for the fiscal year ended December 31, 2012, which includes information derived from my technical reports on the Property in the Durango Mining District of Mexico dated July 24, 2012 entitled "Technical Report on the Avino Property", and I concur that the information as set forth is an accurate summary of my reports. I further consent to the use in this Form 20-F of the reference to myself as an expert in the Annual Report.

TETRA TECH WARDROP

Dated: May 14, 2013

By: /s/ *Hassan Ghaffari"*

Hassan Ghaffari, P.Eng.