

The following discussion and analysis of the operations, results, and financial position of Avino Silver & Gold Mines Ltd. (the "Company" or "Avino") should be read in conjunction with the Company's condensed consolidated interim financial statements for the nine months ended September 30, 2020, and the audited consolidated financial statements as at and for the year ended December 31, 2019, and the notes thereto.

This Management's Discussion and Analysis ("MD&A") is dated November 9, 2020 and discloses specified information up to that date. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise cited, references to dollar amounts are in US dollars. This MD&A contains "forward-looking statements" that are subject to risk factors including those set out in the "Cautionary Statement" at the end of this MD&A. All information contained in this MD&A is current and has been approved by the Company's Board of Directors as of November 9, 2020, unless otherwise indicated. Throughout this report we refer to "Avino", the "Company", "we", "us", "our", or "its". All these terms are used in respect of Avino Silver & Gold Mines Ltd. ***We recommend that readers consult the "Cautionary Statement" on the last page of this report.*** Additional information relating to the Company is available on the Company's website at [www.avino.com](http://www.avino.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Business Description**

Founded in 1968, the Company is engaged in the production and sale of silver, gold, and copper bulk concentrate, and the acquisition, exploration, and evaluation of mineral properties. The Company holds mineral claims and leases in Durango, Mexico, and in British Columbia and Yukon, Canada. Avino is a reporting issuer in all of the provinces of Canada, except for Quebec, and a foreign private issuer with the Securities and Exchange Commission in the United States. The Company's shares trade on the Toronto Stock Exchange ("TSX"), under the symbol "ASM" (the Company graduated from the TSX Venture Exchange on January 8, 2018), on the NYSE American under the symbol "ASM", and on the Berlin and Frankfurt Stock Exchanges under the symbol "GV6".

### **Discussion of Operations**

The Company's production, exploration, and evaluation activities during the nine months ended September 30, 2020, have been conducted on its Avino Property.

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

### Operational Highlights

HIGHLIGHTS (Expressed in US\$)	Third Quarter 2020	Third Quarter 2019	Change	YTD 2020	YTD 2019	Change
<b>Operating</b>						
Tonnes Milled	-	202,664	-100%	204,286	601,224	-66%
Silver Ounces Produced	-	221,928	-100%	317,299	738,007	-57%
Gold Ounces Produced	-	1,448	-100%	1,935	4,880	-60%
Copper Pounds Produced	-	1,381,924	-100%	2,267,939	3,580,739	-37%
Silver Equivalent Ounces <sup>1</sup> Produced	-	570,220	-100%	842,230	1,788,402	-53%
<b>Concentrate Sales and Cash Costs</b>						
Silver Equivalent Payable Ounces Sold <sup>2</sup>	113,703	503,742	-77%	1,011,657	1,645,263	-39%
Cash Cost per Silver Equivalent Payable Ounce <sup>1,2,3</sup>	\$ 12.56	\$ 12.74	-1%	\$ 10.48	\$ 11.63	-10%
All-in Sustaining Cash Cost per Silver Equivalent Payable Ounce <sup>1,2,3</sup>	\$ 31.61	\$ 18.62	70%	\$ 17.23	\$ 16.73	3%

1. In Q3 2020, AgEq was calculated using metals prices of \$24.26 oz Ag, \$1,909 oz Au and \$2.96 lb Cu. In Q3 2019, AgEq was calculated using metals prices of \$16.98 oz Ag, \$1,472 oz Au and \$2.63 lb Cu.

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

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

### Financial Highlights

HIGHLIGHTS (Expressed in 000's of US\$)	Third Quarter 2020	Third Quarter 2019	Change	YTD 2020	YTD 2019	Change
<b>Financial Operating Performance</b>						
Revenues	\$ 2,659	\$ 6,796	-61%	\$ 14,615	\$ 21,320	-31%
Mine operating income	\$ (189)	\$ (177)	7%	\$ 1,441	\$ 175	723%
Net loss from continuing operations	\$ (4,587)	\$ (1,545)	197%	\$ (5,930)	\$ (2,209)	168%
Net loss including discontinued operations	\$ (4,589)	\$ (1,642)	179%	\$ (6,097)	\$ (2,418)	152%
Earnings (loss) before interest, taxes and amortization ("EBITDA") <sup>1</sup>	\$ (4,250)	\$ (1,575)	170%	\$ (4,675)	\$ (917)	410%
Adjusted earnings <sup>1</sup>	\$ (665)	\$ (136)	388%	\$ 1,684	\$ 328	414%
<b>Per Share Amounts</b>						
Loss per share from cont. operations – basic	\$ (0.05)	\$ (0.02)	-150%	\$ (0.07)	\$ (0.03)	-133%
Loss per share – basic	\$ (0.05)	\$ (0.02)	-150%	\$ (0.08)	\$ (0.04)	-100%
Cash Flow per share <sup>1</sup> – basic	\$ (0.01)	\$ 0.00	-100%	\$ (0.00)	\$ 0.00	-%
<b>HIGHLIGHTS</b>						
(Expressed in 000's of US\$)	September 30, 2020	June 30, 2020	Change	September 30, 2020	December 31, 2019	Change
<b>Liquidity &amp; Working Capital</b>						
Cash	\$ 12,493	\$ 10,386	20%	\$ 12,493	\$ 9,625	30%
Working capital	\$ 16,859	\$ 13,797	22%	\$ 16,859	\$ 13,209	28%

1. The Company reports non-IFRS measures which include cash cost per silver equivalent payable ounce, all-in sustaining cash cost per payable ounce, EBITDA, adjusted earnings, and cash flow per share. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and the calculation methods may differ from methods used by other companies with similar reported measures. See Non-IFRS Measures section for further information and detailed reconciliations.

## **Operational and Financial Performance**

### **Production and Mining Activities**

During the three months ended September 30, 2020, no mining activities took place due to the work stoppage at the Avino Mine. Subsequent to September 30, 2020, the Company and the union reached an agreement to end the work stoppage and the Company is working towards restarting production and mining operations.

### **Working Capital & Liquidity at September 30, 2020**

The Company's cash balance at September 30, 2020, totaled \$12.5 million compared to \$10.4 million at June 30, 2020 and \$9.6 million at December 31, 2019.

Working capital totaled \$16.9 million at September 30, 2020, compared to \$13.8 million at June 30, 2020 and \$13.2 million at December 31, 2019.

### **Debt Reduction Efforts**

During the three months ended September 30, 2020, the Company reduced debt liabilities by a further \$2.0 million through the a coordinated effort to reduce payables, repay its outstanding term facility, and outstanding finance lease and loans on mining equipment, bringing total debt reduction for the nine months ended September 30, 2020, up to \$6.1 million.

### **Revenues & Earnings – Three Months Ended September 30, 2020**

The Company recognized revenues net of penalties, treatment costs and refining charges, of \$2.7 million on the sale of Avino Mine bulk copper/silver/gold concentrate, for mine operating losses of \$0.2 million. This is compared to revenues of \$6.8 million and mine operating losses of \$0.2 million for Q3 2019. The decrease in revenues compared to Q3 2019 is a direct result of the strike action taken by the Company's unionized workers, which halted production activities during Q3 2020.

EBITDA during the period, was a loss of \$4.3 million, compared to loss of \$1.6 million in the corresponding quarter in 2019. The increased losses are primarily a result of non-cash losses on the exercise of warrants of \$2.7 million, as well as \$0.9 million in stand-by costs during the work stoppage.

Adjusted losses for the period was \$0.7 million, compared to \$0.1 million in the corresponding quarter in 2019. The increased losses are a result of the loss on exercise of warrants mentioned above, as well as reduced sales during the period as a result of the work stoppage.

Metal prices for revenues recognized during the three months ended September 30, 2020, averaged \$24.26 per ounce of silver, \$1,909 per ounce of gold, and \$6,519 per tonne of copper, compared to \$16.80, \$1,476, and \$5,810, respectively.

### **Revenues & Earnings – Nine Months Ended September 30, 2020**

During the nine months ended September 30, 2020, the Company recognized revenues, net of penalties, treatment costs and refining charges, of \$13.8 million on the sale of 6,463 tonnes of Avino Mine bulk copper/silver/gold concentrate and \$0.8 million on the sale of 528 tonnes of Historic Above Ground Avino Mine Stockpile bulk copper/silver/gold concentrate, for a mine operating income of \$1.4 million.

EBITDA during the nine months ended September 30, 2020, was a loss of \$4.7 million, compared to earnings of \$0.9 million in the corresponding quarter in 2019. The increased losses are primarily a result of non-cash losses on the exercise of warrants of \$2.7 million, as well as \$0.9 million in stand-by costs during the work stoppage.

Adjusted earnings for the period was \$1.8 million, compared to \$0.3 million in the corresponding period in 2019. The increased earnings are a result of increased realized metal prices, offset by losses on exercise of warrants mentioned above, as well as reduced sales during the period as a result of the work stoppage.

Metal prices for revenues recognized during the nine months ended September 30, 2020, averaged \$23.73 per ounce of silver, \$1,885 per ounce of gold, and \$6,610 per tonne of copper, compared to \$15.55, \$1,362, and \$6,091, respectively.

#### **Cash Costs & All-in Sustaining Cash Costs – Nine Months Ended September 30, 2020**

Cash costs per silver equivalent payable ounce, excluding stand-by costs, for Q3 2020 was \$12.56, compared to \$12.74 for Q3 2019. The slight decrease is a result of higher costs in Q3 2019, offset by significantly lower ounces sold and higher overall general and administrative costs per ounce during Q3 2020, as a result of the work stoppage. All-in sustaining cash costs per silver equivalent payable ounce, including stand-by costs, for Q3 2020 was \$31.65, compared to \$18.62 for Q3 2019. The increase is a result of the factors mentioned above, higher overall general and administrative costs per ounce, as well as stand-by costs of \$0.9 million incurred during Q3 2020.

#### **Cash Costs & All-in Sustaining Cash Costs – Nine Months Ended September 30, 2020**

Cash costs per silver equivalent payable ounce, excluding stand-by costs, for year to date 2020 was \$10.48, compared to \$11.63 for the same period in 2019. The decrease is a result of higher costs per ounce in 2019 due to the winding down of the San Gonzalo Mine, offset by lower ounces sold during 2020, as a result of the work stoppages due to the strike action & COVID-19.

All-in sustaining cash costs per silver equivalent payable ounce, including stand-by costs, for year to date 2020 was \$17.24, compared to \$16.73 for the same period 2019. The increase is a result of the factors mentioned above, higher overall general and administrative costs per ounce, as well as stand-by costs of \$0.9 million incurred during Q3 2020.

#### **Option Agreement – Silver Wolf Exploration Ltd. (formerly Gray Rock Resources Ltd.) (“Silver Wolf”)**

During the nine months ended September 30, 2020, the Company announced an option agreement in which Silver Wolf was granted the exclusive right to acquire an 100% interest in the Ana Maria and El Laberinto properties in Mexico (the “Option”), in consideration of the issuance to Avino of share purchase warrants to acquire 300,000 common shares of Silver Wolf at an exercise price of \$0.20 per share for a period of 36 months from the date of the TSX Venture Exchange’s final acceptance of the Option Agreement (the “Approval Date”). In order to exercise the Option, Silver Wolf will:

1. Issue to Avino a total of \$600,000 in cash or common shares of Silver Wolf as follows:
  - a. \$50,000 in common shares of Silver Wolf within 30 days of the Approval Date;
  - b. A further \$50,000 in cash or shares of Silver Wolf at Avino’s discretion on or before the first anniversary of the Approval Date;
  - c. A further \$100,000 in cash or shares of Silver Wolf at Avino’s discretion on or before the second anniversary of the Approval Date;
  - d. A further \$200,000 in cash or shares of Silver Wolf at Avino’s discretion on or before the third anniversary of the Approval Date; and
  - e. A further \$200,000 in cash or shares of Silver Wolf at Avino’s discretion on or before the fourth anniversary of the Approval Date; and

2. Incur a total of \$750,000 in exploration expenditures on the properties, as follows:
- a. \$50,000 on or before the first anniversary of the Approval Date;
  - b. A further \$100,000 on or before the second anniversary of the Approval Date; and
  - c. A further \$600,000 on or before the fourth anniversary of the Approval Date.

Under the Option Agreement, the parties intend that the first two year's payments (\$200,000 in cash or shares), and first \$150,000 in exploration work will be firm commitments by Silver Wolf. All share issuances will be based on the average volume weighted trading price of Silver Wolf's shares on the TSX Venture Exchange for the ten (10) trading days immediately preceding the date of issuance of the shares, and the shares will be subject to resale restrictions under applicable securities legislation for 4 months and a day from their date of issue. The Option Agreement is subject to the acceptance for filing on behalf of Silver Wolf by the TSX Venture Exchange

**Avino Complies with the Mexican Government COVID-19 Order**

Avino announced on April 2, 2020 that temporarily suspended operations to help fight against COVID-19 at the Avino Mine in Durango, Mexico. On June 1, 2020, Avino was approved by the Secretariat of Health to recommence regular mining activities in an orderly, gradual and cautious manner.

**Consolidated Production Highlights**

Q3 2020					
Production by Mine	Tonnes Processed	Silver Oz	Gold Oz	Copper Lbs	AgEq
Avino	-	-	-	-	-
Historic Above Ground Stockpiles	-	-	-	-	-
<b>Consolidated</b>	-	-	-	-	-
YTD 2020					
Production by Mine	Tonnes Processed	Silver Oz	Gold Oz	Copper Lbs	AgEq
Avino	199,575	312,819	1,916	2,263,082	835,370
Historic Above Ground Stockpiles	4,711	4,481	19	4,857	6,860
<b>Consolidated</b>	<b>204,286</b>	<b>317,299</b>	<b>1,935</b>	<b>2,267,939</b>	<b>842,230</b>

Q3 2020						
Grade & Recovery by Mine	Grade Ag g/t	Grade Au g/t	Grade Cu %	Recovery Ag %	Recovery Au %	Recovery Cu %
Avino	-	-	-	-	-	-
Historic Above Ground Stockpiles	-	-	-	-	-	-
<b>Consolidated</b>	-	-	-	-	-	-
YTD 2020						
Grade & Recovery by Mine	Grade Ag g/t	Grade Au g/t	Grade Cu %	Recovery Ag %	Recovery Au %	Recovery Cu %
Avino	54	0.40	0.58	90%	75%	88%
Historic Above Ground Stockpiles	59	0.31	0.15	50%	41%	31%
<b>Consolidated</b>	<b>54</b>	<b>0.40</b>	<b>0.57</b>	<b>89%</b>	<b>74%</b>	<b>87%</b>

### Avino Mine Production Highlights

	Q3 2020	Q3 2019	Change %	2020	2019	Change %
Total Mill Feed (dry tonnes)	-	122,208	-100%	199,575	319,837	-38%
Feed Grade Silver (g/t)	-	41	-100%	54	41	32%
Feed Grade Gold (g/t)	-	0.31	-100%	0.40	0.38	6%
Feed Grade Copper (%)	-	0.58	-100%	0.58	0.55	5%
Recovery Silver (%)	-	86%	-100%	90%	84%	7%
Recovery Gold (%)	-	73%	-100%	75%	71%	6%
Recovery Copper (%)	-	83%	-100%	88%	85%	4%
Total Silver Produced (oz)	-	139,419	-100%	312,819	356,626	-12%
Total Gold Produced (oz)	-	900	-100%	1,916	2,797	-31%
Total Copper Produced (Lbs)	-	1,307,622	-100%	2,263,082	3,269,687	-31%
Total Silver Equivalent Produced (oz)*	-	418,352	-100%	835,370	1,160,595	-29%

\* In Q3 2020, AgEq was calculated using metals prices of \$24.26 oz Ag, \$1,909 oz Au and \$2.96 lb Cu. In Q3 2019, AgEq was calculated using metals prices of \$16.98 oz Ag, \$1,472 oz Au and \$2.63 lb Cu.

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

### Avino Historic Above Ground Stockpile Production Highlights

	Q3 2020	Q3 2019	Change %	2020	2019	Change %
Total Mill Feed (dry tonnes)	-	62,656	-100%	4,711	228,116	-98%
Feed Grade Silver (g/t)	-	47	-100%	59	57	4%
Feed Grade Gold (g/t)	-	0.33	-100%	0.31	0.40	-23%
Feed Grade Copper (%)	-	0.14	-100%	0.15	0.17	-12%
Recovery Silver (%)	-	56%	-100%	50%	55%	-9%
Recovery Gold (%)	-	54%	-100%	41%	53%	-23%
Recovery Copper (%)	-	39%	-100%	31%	36%	-14%
Total Silver Produced (oz)	-	52,941	-100%	4,481	232,116	-98%
Total Gold Produced (oz)	-	354	-100%	19	1,528	-98%
Total Copper Produced (Lbs)	-	74,302	-100%	4,857	311,052	-98%
Total Silver Equivalent Produced (oz) <i>calculated*</i>	-	95,665	-100%	6,860	419,623	-98%

\* In Q3 2020, AgEq was calculated using metals prices of \$24.26 oz Ag, \$1,909 oz Au and \$2.96 lb Cu. In Q3 2019, AgEq was calculated using metals prices of \$16.98 oz Ag, \$1,472 oz Au and \$2.63 lb Cu.

As mentioned in our 2020 Production Outlook, we processed a small amount of AHAG material in the first half of Q1 2020 before the transition to 100% production from the Avino Mine.

### **Avino Mine Exploration**

Plans continue for the Company's 2020 exploration program and the Company is looking at all options to increase overall head grade.

### **Qualified Person(s)**

Peter Latta, P.Eng, MBA, VP Technical Services, Avino, is a qualified person within the context of National Instrument 43-101, and has reviewed and approved the technical data in this document.

### **Non – IFRS Measures**

#### **EBITDA and Adjusted earnings**

Earnings, or loss, before interest, taxes and amortization ("EBITDA") is a non IFRS financial measure which excludes the following items from net earnings:

- Income tax expense
- Finance cost
- Amortization and depletion

Adjusted earnings excludes the following additional items from EBITDA

- Share based compensation;
- Non-operational items including foreign exchange movements, fair value adjustments on outstanding warrants and other non-recurring items

Management believes EBITDA and adjusted earnings provides an indication of continuing capacity to generate operating cash flow to fund capital needs, service debt obligations and fund capital expenditures. These measures are intended to provide additional information to investors and analysts. There are not standardized definitions under IFRS and should not be considered in isolation or as a substitute for measures of operating performance prepared in accordance with IFRS.

Adjusted earnings excludes share-based payments, and non-operating or recurring items such as foreign exchange gains and losses and fair value adjustments on outstanding warrants. Under IFRS, entities must reflect within compensation expense the cost of share-based payments. In the Company's circumstances, share-based compensation can involve significant amounts that will not be settled in cash but are settled by issuance of shares in exchange. The Company discloses adjusted earnings to aid in understanding the results of the company.

The following table provides a reconciliation of net earnings financial statements to EBITDA and adjusted earnings, and includes the Company's discontinued operations (see Note 3 of the condensed consolidated interim financial statements):

Expressed in 000's of US\$, unless otherwise noted	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Net loss for the period	\$ (4,589)	\$ (1,642)	\$ (6,097)	\$ (2,418)
Depreciation and depletion	575	562	1,779	2,029
Interest income and other	(8)	(150)	(232)	(385)
Interest expense	4	13	22	53
Finance cost	41	6	175	2
Accretion of reclamation provision	26	82	75	250
Current income tax expense	28	63	90	246
Deferred income tax recovery	(327)	(509)	(487)	(694)
<b>EBITDA</b>	<b>\$ (4,250)</b>	<b>\$ (1,575)</b>	<b>\$ (4,675)</b>	<b>\$ (917)</b>
Fair value adjustment on warrant liability	(1,136)	230	13	(346)
Realized loss on warrants exercised	2,708	-	2,708	-
Share-based payments	692	230	1,062	643
Stand-by costs during strike action	875	-	875	-
Net realizable adjustment to inventory	-	273	-	387
Foreign exchange loss (gain)	446	706	1,701	561
<b>Adjusted earnings</b>	<b>\$ (665)</b>	<b>\$ (136)</b>	<b>\$ 1,684</b>	<b>\$ 328</b>

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

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

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

The Company has adopted the reporting of "all-in sustaining cash cost per silver equivalent payable ounce". This measure has no standardized meaning throughout the industry. However, it is intended to provide additional information. Avino presents all-in sustaining cash cost, because it believes that it more fully defines the total current cost associated with producing a silver equivalent payable ounce. Further, the Company believes that this measure allows investors of the Company to better understand its cost of producing silver equivalent payable ounces, and better assess the Company's ability to generate cash flow from operations. Although the measure seeks to reflect the full cost per silver equivalent ounce of production from current operations, it does not include capital expenditures attributable to mine expansions, exploration, and evaluation costs attributable to growth projects, income tax payments, penalties, treatment and refining charges, and financing costs. In addition, the calculation of all-in sustaining cash costs does not include depreciation and depletion expense as it does not reflect the impact of expenditures incurred in prior periods.



The Company's calculation of all-in sustaining cash costs includes sustaining capital expenditures of \$250 for the three months ended September 30, 2020 (September 30, 2019 - \$620) and \$593 for the nine months ended September 30, 2020 (September 30, 2019 - \$1,768), all of which is attributable to the Avino Mine. The Company has planned for sustaining capital expenditures for the remainder of 2020 in accordance with mine operating plans and expected equipment utilization levels. Although this measure is not representative of all of the Company's cash expenditures, management believes that it is a useful measure in allowing it to analyze the efficiency of its mining operations.

The Company also presents cash flow per share, as it believes it assists investors and other stakeholders in evaluating the Company's overall performance and its ability to generate cash flow from current operations. To facilitate a better understanding of these measures as calculated by the Company, detailed reconciliations between the non-IFRS measures and the Company's consolidated financial statements are provided below. The measures presented are intended to provide additional information, and should not be considered in isolation nor should they be considered substitutes for IFRS measures. Calculated figures may not add up due to rounding.

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

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

The following tables reconcile cost of sales to cash cost per payable AgEq oz and all-in sustaining cash cost per payable AgEq oz for the three and nine months ended September 30, 2020 and 2019:

Expressed in 000's of US\$, unless otherwise noted	Avino		San Gonzalo		AHAG Stockpiles		Consolidated	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Cost of sales	\$2,848	\$3,666	\$ -	\$1,692	\$ -	\$1,341	\$2,848	\$6,699
Inventory net realizable value adjustment	-	-	-	273	-	-	-	273
Stand-by costs during strike action	(875)	-	-	-	-	-	(875)	-
Depletion and depreciation	(545)	(439)	-	(30)	-	(87)	(545)	(556)
Cash production cost	1,428	3,227	-	1,935	-	1,254	1,428	6,416
Payable silver equivalent ounces sold	113,703	232,724	-	49,129	-	221,889	113,703	503,742
Cash cost per silver equivalent ounce	\$12.56	\$13.86	\$ -	\$39.39	\$ -	\$5.66	\$12.56	\$12.74
General and administrative expenses	1,385	480	-	101	-	458	1,385	1,039
Treatment & refining charges	205	308	-	80	-	287	205	675
Penalties	173	469	-	-	-	395	173	864
Sustaining capital expenditures	250	620	-	-	-	-	250	620
Stand-by costs during strike action	875	-	-	-	-	-	875	-
Share-based payments and G&A depreciation	(722)	(109)	-	(23)	-	(104)	(722)	(236)
Cash operating cost	3,594	4,995	-	2,093	-	2,290	3,594	9,378
AISC per silver equivalent ounce	\$31.61	\$21.46	\$ -	\$42.60	\$ -	\$10.32	\$31.61	\$18.62

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**

Expressed in 000's of US\$, unless otherwise noted	Avino		San Gonzalo		Historic Above Ground Stockpiles		Consolidated	
	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019
Cost of sales	\$12,564	\$12,128	\$ -	\$4,899	\$610	\$3,730	\$13,174	\$20,757
Inventory net realizable value adjustment	-	-	-	387	-	-	-	387
Stand-by costs during strike action	(875)	-	-	-	-	-	(875)	-
Depletion and depreciation	(1,678)	(1,257)	-	(430)	(14)	(321)	(1,692)	(2,008)
Cash production cost	10,011	10,871	-	4,856	596	3,409	10,607	19,136
Silver equivalent ounces sold	951,955	907,889	-	227,995	59,701	509,379	1,011,657	1,645,263
Cash cost per silver equivalent ounce	\$10.52	\$11.97	\$ -	\$21.30	\$9.98	\$6.69	\$10.58	\$11.63
General and administrative expenses	2,988	1,604	-	410	137	906	3,125	2,920
Treatment & refining charges	1,227	1,141	-	342	67	640	1,294	2,123
Penalties	1,967	1,431	-	-	121	805	2,088	2,236
Sustaining capital expenditures	593	1,768	-	-	-	-	593	1,768
Stand-by costs during strike action	875	-	-	-	-	-	875	-
Share-based payments and G&A depreciation	(1,121)	(366)	-	(94)	(28)	(204)	(1,149)	(664)
Cash operating cost	\$16,540	\$16,449	-	\$5,514	893	\$5,556	\$17,433	\$27,519
AISC per silver equivalent ounce	\$17.37	\$18.12	\$ -	\$24.19	\$14.95	\$10.91	\$17.23	\$16.73

The Company continues to review its expenditures and has been successful in the pursuit to achieve lower overhead costs, and continues to process the AHAG Stockpiles at profitable levels.

At the Avino Mine, costs for Q3 2020 have increased on a per ounce basis due to additional costs incurred and lower volume sold as a result of mine operations stoppage caused by Company's unionized workers strike, when compared to Q3 2019, partially offset by higher metal prices in Q3 2020 when compared to Q3 2019, which led to higher ounces recovered and sold during Q3 2020

### Cash Flow per Share

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

	Nine Months Ended September 30,	
	2020	2019
Operating cash flows before movements in working capital	\$ (280)	\$ 262
Weighted average number of shares outstanding		
Basic	81,027,129	67,743,695
Diluted	81,027,129	67,743,695
<b>Cash Flow per Share – basic &amp; diluted</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

**Working Capital**

	September 30, 2020	December 31, 2019
Current assets	\$ 22,939	\$ 22,771
Current liabilities	(6,080)	(9,562)
<b>Working capital</b>	<b>\$ 16,859</b>	<b>\$ 13,209</b>

**Results of Operations**

**Summary of Quarterly Results**

(000's)	2020 Sep 30 Q3	2020 Jun 30 Q2	2020 Mar 31 Q1	2019 Dec 31 Q4	2019 Sep 30 Q3	2019 Jun 30 Q2	2019 Mar 31 Q1	2018 Dec 31 Q4
Revenue	\$2,659	\$4,840	\$7,116	\$10,426	\$6,796	\$7,813	\$6,711	\$8,268
Net income (loss) from all operations for the quarter	(4,589)	(1,276)	(232)	(29,043)	(1,642)	(166)	(610)	981
Earnings (loss) per share from all operations - basic	\$(0.05)	\$(0.02)	\$(0.00)	\$(0.38)	\$(0.02)	\$(0.00)	\$(0.01)	\$0.02
Earnings (loss) per share from all operations - diluted	\$(0.05)	\$(0.02)	\$(0.00)	\$(0.38)	\$(0.02)	\$(0.00)	\$(0.01)	\$0.02
<b>Total Assets</b>	<b>\$71,638</b>	<b>\$70,970</b>	<b>\$67,420</b>	<b>\$72,571</b>	<b>\$113,145</b>	<b>\$110,660</b>	<b>\$108,830</b>	<b>\$108,588</b>

- Revenue decreased in Q3 2020 compared to previous quarters due to mine operations stoppage caused by the work stoppage and was partially offset by higher average realized metal prices.
- Losses in Q3 2020 increased due primarily to lower than expected sales volume and higher costs attributable to mine operations stoppage caused by the work stoppage, as well as the realized loss on exercise of warrants of \$2.7 million and unrealized fair value loss of \$1.2 million in long term investments during this quarter as a result of a decrease in share price of Talisker Resources Ltd.
- Total assets remained fairly consistent at September 30, 2020 compared to the previous three quarter ends. Overall, total assets have decreased compared to the quarters ended prior to December 31, 2019, as the Company sold Bralorne during Q4 2019.

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

Three months ended September 30, 2020, compared to the three months ended September 30, 2019:

(000's)	2020	2019	Note
<b>Revenue from mining operations</b>	\$2,659	\$6,796	<b>1</b>
<b>Cost of sales</b>	2,848	6,973	<b>1</b>
<b>Mine operating loss</b>	(189)	(177)	<b>1</b>
<b>Operating expenses</b>			
General and administrative expenses	693	770	<b>2</b>
Share-based payments	692	230	<b>2</b>
<b>Loss before other items</b>	(1,574)	(1,177)	
<b>Other items</b>			
Interest and other income	8	150	
Gain (loss) on long-term investments	(1,231)	16	<b>3</b>
Fair value adjustment on warrant liability	1,136	(230)	<b>4</b>
Realized loss on exercise of warrants	(2,708)	-	<b>5</b>
Unrealized foreign exchange loss	(446)	(706)	<b>6</b>
Finance costs	(41)	(6)	
Accretion of reclamation provision	(26)	(25)	
Interest expense	(4)	(13)	
<b>Net loss from continuing operations before income taxes</b>	(4,886)	(1,991)	
<b>Income taxes</b>			
Current income tax expense	(28)	(63)	<b>7</b>
Deferred income tax recovery	327	509	<b>7</b>
<b>Income tax recovery</b>	299	446	
<b>Net loss from continuing operations</b>	\$(4,587)	\$(1,545)	<b>8</b>
Loss from discontinued operations and on disposal	(2)	(97)	
<b>Net loss</b>	\$(4,589)	\$(1,642)	<b>8</b>
<b>Loss per share from continuing operations</b>			
Basic & Diluted	\$(0.05)	\$(0.02)	<b>8</b>
<b>Loss per share</b>			
Basic & Diluted	\$(0.05)	\$(0.02)	<b>8</b>

1. Revenues decreased for the three months ended September 30, 2020, compared to September 30, 2019, mainly due to lower ounces sold as a result of an unplanned temporary stoppage to mining operations caused by a strike action from the Company's unionized workers at the Avino Mine. The lower revenues were partially offset by an increase in average realized metal prices as well as higher than expected grades and recoveries at the Avino Mine when compared with lower metal prices and grades in the same period for 2019.

Cost of sales for the three months ended September 30, 2020, were \$2,848 compared to \$6,973 for the three months ended September 30, 2019. The decrease in costs is mainly due to no tonnes mined and processed during the quarter, as a result of the unplanned temporary stoppage to mining operations caused by a strike action from the Company's unionized workers at the Avino Mine, and also resulted in lower sales.

As a result of the factors above, the Company generated a mine operating loss of \$189, compared to \$177 during the three months ended September 30, 2019.

2. General and administrative expenses for the three months ended September 30, 2020, totalled \$693 compared to \$770 for the three months ended September 30, 2019. The decrease reflects costs reduction initiatives made by management to maintain operations in good standing during the difficult conditions.

Increases to share-based payments are a result of the vesting of stock options and RSUs at higher valuations during the three months ended September 30, 2020, compared to the same period in 2019. This is a result of the increase in the Company's share price during the three months ended September 30, 2020, as there were RSU and option grants during both Q3 2020 and Q3 2019.

3. The loss on long term investments for the three months ended September 30, 2020, totalled \$1,231 compared to a gain of \$16 for the three months ended September 30, 2019. This is a direct result of the decrease in value of the Company's investment in Talisker Resources Inc. ("Talisker") during the quarter.
4. The fair value adjustment on the Company's warrant liability relates to the issuance of US dollar-denominated warrants, which are re-valued each reporting period, and the value fluctuates with changes in the US-Canadian dollar exchange rate, and in the variables used in the valuation model, such as the Company's US share price, and expected share price volatility.
5. During the quarter 4,195,072 warrants were exercised resulting in a non-cash realized loss on exercise of warrants of \$2.7 million.
6. Foreign exchange gains or losses result from transactions in currencies other than the Canadian dollar functional currency. During the three months ended September 30, 2020 the US dollar remained fairly constant in relation to the Canadian dollar and Mexican peso, resulting in a minimal foreign exchange loss.
7. Current income tax expense was \$28 for the three months ended September 30, 2020, compared to \$63 in the three months ended September 30, 2019. Deferred income tax recovery was \$327 for the three months ended September 30, 2020, compared to \$509 in the comparative period. Deferred income tax fluctuates due to movements in taxable and deductible temporary differences related to the special mining duty in Mexico and to changes in inventory, plant, equipment and mining properties, and exploration and evaluation assets, amongst other factors. The changes in current income taxes and deferred income taxes for the three months ended September 30, 2020, primarily relate to movements in the tax bases and mining profits and/or losses in Mexico.
8. As a result of the foregoing, net loss from continuing operations and net loss from operations for the three months ended September 30, 2020, was \$4,587 and \$4,589, respectively, compared to \$1,545 and \$1,642, respectively, for the three months ended September 30, 2019. The increase in loss resulted in a basic and diluted loss per share for continuing operations of \$0.05, and all operations of \$0.05, for the quarter ended September 30, 2020, compared to \$0.02 in the comparative quarter.

**Nine months ended September 30, 2020, compared to the nine months ended September 30, 2019:**

<b>(000's)</b>	<b>2020</b>	<b>2019</b>	<b>Note</b>
<b>Revenue from mining operations</b>	\$14,615	\$21,320	<b>1</b>
<b>Cost of sales</b>	13,174	21,145	<b>1</b>
<b>Mine operating income</b>	1,441	175	<b>1</b>
<b>Operating expenses</b>			
General and administrative expenses	2,063	2,242	<b>2</b>
Share-based payments	1,062	643	<b>2</b>
<b>Loss before other items</b>	(1,684)	(2,710)	
<b>Other items</b>			
Interest and other income	232	385	
Gain (loss) on long-term investments	(181)	17	
Fair value adjustment on warrant liability	(13)	346	<b>3</b>
Realized loss on exercise of warrants	(2,708)	-	<b>4</b>
Unrealized foreign exchange loss	(1,701)	(562)	<b>5</b>
Finance costs	(175)	(2)	
Accretion of reclamation provision	(75)	(78)	
Interest expense	(22)	(53)	
<b>Net loss from continuing operations before income taxes</b>	(6,327)	(2,657)	
<b>Income taxes</b>			
Current income tax expense	(90)	(246)	<b>6</b>
Deferred income tax recovery	487	694	<b>6</b>
<b>Income tax recovery</b>	397	448	
<b>Net loss from continuing operations</b>	\$(5,930)	\$(2,209)	<b>8</b>
Loss from discontinued operations and on disposal	(167)	(209)	<b>7</b>
<b>Net loss</b>	\$(6,097)	\$(2,418)	<b>8</b>
<b>Loss per share from continuing operations</b>			
Basic & Diluted	\$(0.07)	\$(0.03)	<b>8</b>
<b>Loss per share</b>			
Basic & Diluted	\$(0.08)	\$(0.04)	<b>8</b>

1. Revenues decreased for the nine months ended September 30, 2020, compared to September 30, 2019, mainly due to lower ounces sold as a result of a planned reduction in monthly sales due to the temporary shutdown due to COVID-19, as well as declining prices of silver and copper during March and April 2020. Revenues also decreased due to the unplanned temporary stoppage to mining operations caused by a strike action from the Company's unionized workers at the Avino Mine during Q3 2020.

The lower revenues were partially offset by an increase in average realized metal prices in the latter part of Q2 2020, specifically in June and during Q3 2020.

Cost of sales for the nine months ended September 30, 2020, were \$13,174 compared to \$21,145 for the nine months ended September 30, 2019. As a result of the temporary shutdown due to COVID-19 and temporary mine operations stoppage caused by company's unionized workers strike during Q3 2020, costs were lower overall due to lower than anticipated tonnes mined and processed, as well as sales initiatives to maximize realized prices per ounce.

As a result of the factors above, mine operating income increased to \$1,441, compared to \$175 during the nine months ended September 30, 2019, mostly due to the increase in metal prices in the period, as well as higher than expected grades and recoveries at the Avino Mine.

2. General and administrative expenses for the nine months ended September 30, 2020, totalled \$2,063 compared to \$2,242 for the nine months ended September 30, 2019. The decrease reflects costs reduction initiatives made by management to maintain operations in good standing during the difficult market conditions.

Increases to share-based payments are a result of the vesting of stock options and RSUs at higher valuations during the nine months ended September 30, 2020, compared to the same period in 2019. This is a result of the increase in the Company's share price from January 1 to September 30, 2020, as there were RSU and option grants during both Q3 2020 and Q3 2019.

3. The fair value adjustment on the Company's warrant liability relates to the issuance of US dollar denominated warrants, which are re-valued each reporting period, and the value fluctuates with changes in the US-Canadian dollar exchange rate, and in the variables used in the valuation model, such as the Company's US share price, and expected share price volatility.
4. During the nine months ended September 30, 2020, 4,195,072 warrants were exercised resulting in a non-cash realized loss on exercise of warrants of \$2.7 million.
5. Foreign exchange gains or losses result from transactions in currencies other than the Canadian dollar functional currency. During the nine months ended September 30, 2020 and 2019, the US dollar appreciated in relation to the Mexican peso and Canadian dollar, resulting in an unrealized foreign exchange loss.
6. Current income tax expense was \$90 for the nine months ended September 30, 2020, compared to \$246 in the nine months ended September 30, 2019. Deferred income tax recovery was \$487 for the nine months ended September 30, 2020, compared to \$694 in the comparative period. Deferred income tax fluctuates due to movements in taxable and deductible temporary differences related to the special mining duty in Mexico and to changes in inventory, plant, equipment and mining properties, and exploration and evaluation assets, amongst other factors. The changes in current income taxes and deferred income taxes for the nine months ended September 30, 2020, primarily relate to movements in the tax bases and mining profits and/or losses in Mexico.
7. Loss from discontinued operations and on disposal was \$167 for the nine months ended September 30, 2020, compared to \$209 during the corresponding period in 2019. All movements are a result of the sale of

Bralorne to Talisker in December 2019, with the movements in the current period reflecting the settlement of certain working capital items.

8. As a result of the foregoing, net loss from continuing operations and net loss from operations for the nine months ended September 30, 2020, was \$5,930 and \$6,097, respectively, compared to \$2,209 and \$2,418, respectively, for the nine months ended September 30, 2019. The increase in loss resulted in a basic and diluted loss per share for both continuing of \$0.07 and all operations of \$0.08 for the period ended September 30, 2020, compared to \$0.03 and \$0.04, respectively, in the comparative period.

**Liquidity and Capital Resources**

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

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

<b>Intended Use of Proceeds</b>	<b>Actual Use of Proceeds</b>
During 2020, the Company received net proceeds of \$4.7 million in connection with a brokered at-the-market offering issued under prospectus supplements and \$3.7 million in connection with warrants exercised.	As of the date of this MD&A, the Company has begun to use the funds as intended. The Company will use the gross proceeds raised from the at-the-market offering and warrants exercised for advancing the development of other areas of the Avino mine, and its operations and production, and to a lesser extent, for general working capital.  In supporting mining operations in Mexico, the Company incurred expenditures of \$0.2 million for exploration and evaluation activities, acquired property and equipment of \$0.9 million, and made lease and loan repayments of \$0.8 million during the nine months ended September 30, 2020.
In July 2019, the Company closed a bought-deal financing for gross proceeds of \$3.5M, with the issuance of common shares.	As of the date of this MD&A, the Company had used, and was continuing to use, the funds as intended. There has been no impact on the ability of the Company to achieve its business objectives and milestones.  The Company intends to continue to explore its properties, as described above, subject to market conditions and the ability to continue to obtain suitable financing.
During 2019, the Company received gross proceeds of \$2.9 million in connection with a brokered at-the-market offering issued under prospectus supplements.	As of the date of this MD&A, the Company had used, and was continuing to use, the funds as intended. There has been no impact on the ability of the Company to achieve its business objectives and milestones.



<b>Intended Use of Proceeds</b>	<b>Actual Use of Proceeds</b>
In May 2015, the Company entered into a master credit facility with Sandvik Customer Finance LLC for \$5.0 million. The facility is being used to acquire equipment necessary for continuing exploration activities at the Avino and Bralorne Mines.	As of the date of this MD&A, the Company had used, and was continuing to use, the facility as intended, and there was \$4.9 million in available credit remaining under the facility. There has been no impact on the ability of the Company to achieve its business objectives and milestones.

Discussion and analysis relating to the Company's liquidity as at September 30, 2020, December 31, 2019 and September 30 2019, is as follows:

### Statement of Financial Position

<b>(000's)</b>	September 30, 2020	December 31, 2019
Cash	\$ 12,493	\$ 9,625
Working capital	16,859	13,209
Accumulated Deficit	(52,868)	(47,204)

### Cash Flow

<b>(000's)</b>	September 30, 2020	September 30, 2019
Cash generated (used in) by operating activities	\$ (1,233)	\$ 644
Cash generated financing activities	5,161	6,252
Cash used in investing activities	(991)	(7,181)
Change in cash	2,937	(285)
Effect of exchange rate changes on cash	(69)	(86)
Cash, beginning of period	9,625	3,252
<b>Cash, end of period</b>	<b>\$ 12,493</b>	<b>\$ 2,881</b>

### Operating Activities

Cash used in operating activities for the nine months ended September 30, 2020, was \$1.2 million compared to \$0.6 million generated for the nine months ended September 30, 2019. Cash movements from operating activities can fluctuate with changes in net income, non-cash items, such as foreign exchange and deferred income tax expenses, and working capital.

### Financing Activities

Cash generated by financing activities was \$5.2 million for the nine months ended September 30, 2020, compared to cash generated by \$6.2 million for the nine months ended September 30, 2019. Cash generated by financing activities for the nine months ended September 30, 2020, relates to the issuance of shares for cash, by way of at-the-market sales and the exercise of warrants. Cash used in financing activities relates to the repayment of the term facility, as well as on its existing equipment loans and finance leases for mining equipment.

During the nine months ended September 30, 2020, the Company received net proceeds from issuance of shares for cash of \$4.7 million (September 30, 2019 - \$7.3 million), received proceeds from warrants exercise by \$3.7 million (September 30, 2019 - \$Nil). The Company also made term facility repayments of \$2.5 million (September 30, 2019 - \$Nil) and made finance lease and equipment loan payments totalling \$0.8 million (September 30, 2019 - \$1.1 million).

### **Investing Activities**

Cash used in investing activities for the nine months ended September 30, 2020, was \$0.9 million compared to \$7.2 million for the nine months ended September 30, 2019. Cash generated from the proceeds of sale of common shares in Talisker totalled \$1.3 million (September 30, 2019 - \$Nil). Proceeds were re-invested through the exercise of share purchase warrants in Talisker, totalling \$1.2 million (September 30, 2019 - \$Nil).

Other financing activities the nine months ended September 30, 2020, includes cash capital expenditures of \$0.9 million (September 30, 2019 - \$2.6 million) on the acquisition of property and equipment. During the nine months ended September 30, 2020, the Company also incurred cash capital expenditures of \$0.2 million (September 30, 2019 - \$4.7 million) on exploration and evaluation activities including drilling expenditures.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Transactions with Related Parties**

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

#### *(a) Key management personnel*

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the three and nine months ended September 30, 2020 and 2019 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Salaries, benefits, and consulting fees	\$ 190	\$ 176	\$ 523	\$ 527
Share-based payments	249	196	625	545
	<b>\$ 439</b>	<b>\$ 372</b>	<b>\$ 1,148</b>	<b>\$ 1,072</b>

#### *(b) Amounts due to/from related parties*

In the normal course of operations the Company transacts with companies related to Avino's directors or officers. All amounts payable and receivable are non-interest bearing, unsecured and due on demand. The following table summarizes the amounts were due to related parties:

	September 30, 2020	December 31, 2019
Oniva International Services Corp.	\$ 102	\$ 105
Directors	45	51
	<b>\$ 147</b>	<b>\$ 156</b>

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

The Company has a cost sharing agreement with Oniva International Services Corp. ("Oniva") for office and administration services. Pursuant to the cost sharing agreement, the Company will reimburse Oniva for the Company's percentage of overhead and corporate expenses and for out-of-pocket expenses

incurred on behalf of the Company. David Wolfin, President & CEO, and a director of the Company, is the sole owner of Oniva. The cost sharing agreement may be terminated with one-month notice by either party without penalty.

The transactions with Oniva during the three and nine months ended September 30, 2020 and 2019, are summarized below:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Salaries and benefits	\$ 143	\$ 125	\$ 461	\$ 506
Office and miscellaneous	43	57	208	207
Exploration and evaluation assets	-	51	-	169
	<b>\$ 186</b>	<b>\$ 233</b>	<b>\$ 669</b>	<b>\$ 882</b>

For services provided to the Company as President and Chief Executive Officer, the Company pays Intermark Capital Corporation (“ICC”), a company controlled by David Wolfin, the Company’s president and CEO and also a director, for consulting services. For the nine months ended September 30, 2020, the Company paid \$166 (September 30, 2019 - \$169) to ICC.

### **Financial Instruments and Risks**

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

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

#### **(a) Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company has exposure to credit risk through its cash, long-term investments and amounts receivable. The Company manages credit risk, in respect of cash and short-term investments, by maintaining the majority of cash and short-term investments at highly rated financial institutions.

The Company is exposed to a significant concentration of credit risk with respect to its trade accounts receivable balance because all of its concentrate sales are with four (December 31, 2019 – six) counterparties (see Note 20). However, the Company has not recorded any allowance against its trade receivables because to-date all balances owed have been settled in full when due (typically within 60 days of submission) and because of the nature of the counterparties.

The Company’s maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the consolidated statement of financial position. At September 30, 2020, no amounts were held as collateral.

(b) *Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by its operating, investing and financing activities. The Company had cash at September 30, 2020, in the amount of \$12,493 and working capital of \$16,859 in order to meet short-term business requirements. Accounts payable have contractual maturities of approximately 30 to 90 days, or are due on demand and are subject to normal trade terms. The current portions of term facility, equipment loans, and finance lease obligations are due within 12 months of the condensed consolidated interim statement of financial position date. Amounts due to related parties are without stated terms of interest or repayment.

The maturity profiles of the Company's contractual obligations and commitments as at September 30, 2020, are summarized as follows:

	<b>Total</b>	<b>Less Than 1 Year</b>	<b>1-5 years</b>	<b>More Than 5 Years</b>
Accounts payable and accrued liabilities	\$ 2,182	\$ 2,182	\$ -	\$ -
Amounts due to related parties	147	147	-	-
Minimum rental and lease payments	26	7	16	3
Term facility	3,423	3,423	-	-
Equipment loans	129	129	-	-
Finance lease obligations	597	288	309	-
<b>Total</b>	<b>\$ 6,504</b>	<b>\$ 6,176</b>	<b>\$ 325</b>	<b>\$ 3</b>

(c) *Market Risk*

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

Interest Rate Risk

Interest rate risk consists of two components:

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

In management's opinion, the Company is exposed to interest rate risk primarily on its outstanding term facility, as the interest rate is subject to floating rates of interest. A 10% change in the interest rate would not result in a material impact on the Company's operations.

### Foreign Currency Risk

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

	September 30, 2020		December 31, 2019	
	MXN	CDN	MXN	CDN
Cash	\$ 863	\$ 3,611	\$ 2,780	\$ 5,902
Long-term investments	-	5,238	-	5,599
Reclamation bonds	-	6	-	6
Amounts receivable	-	20	-	54
Accounts payable and accrued liabilities	(43,027)	(234)	(51,307)	(442)
Amount due to related parties	-	(196)	-	(202)
Finance lease obligations	(545)	(471)	(1,037)	(522)
Net exposure	(42,709)	7,974	(49,564)	10,395
US dollar equivalent	\$ (1,901)	\$ 5,978	\$ (2,627)	\$ 8,004

Based on the net US dollar denominated asset and liability exposures as at September 30, 2020, a 10% fluctuation in the US/Mexican and Canadian/US exchange rates would impact the Company's earnings for the nine months ended September 30, 2020, by approximately \$353 (year ended December 31, 2019 - \$465). The Company has not entered into any foreign currency contracts to mitigate this risk.

### Price Risk

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

The Company is exposed to price risk with respect to its amounts receivable, as certain trade accounts receivable are recorded based on provisional terms that are subsequently adjusted according to quoted metal prices at the date of final settlement. Quoted metal prices are affected by numerous factors beyond the Company's control and are subject to volatility, and the Company does not employ hedging strategies to limit its exposure to price risk. At September 30, 2020, based on outstanding accounts receivable that were subject to pricing adjustments, a 10% change in metals prices would have an impact on net earnings (loss) of approximately \$42 (December 31, 2019 - \$70).

The Company is exposed to price risk with respect to its long-term investments, as these investments are carried at fair value based on quoted market prices. Changes in market prices result in gains or losses being recognized in net income (loss). At September 30, 2020, a 10% change in market prices would have an impact on net earnings (loss) of approximately \$393 (December 31, 2019 - \$467).

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

(d) *Classification of Financial Instruments*

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets and financial liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as at September 30, 2020:

	Level 1	Level 2	Level 3
<b>Financial assets</b>			
Cash	\$ 12,493	\$ -	\$ -
Amounts receivable	-	1,044	-
Long-term investments	3,927	-	-
<b>Total financial assets</b>	<b>\$ 16,420</b>	<b>\$ 1,044</b>	<b>\$ -</b>
<b>Financial liabilities</b>			
Warrant liability	-	-	(1,550)
<b>Total financial liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,550)</b>

**Risks associated with Public Health Crises, including COVID-19**

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises, such as the outbreak of COVID-19 that was designated as a pandemic by the World Health Organization on March 11, 2020. The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can result in operating, supply chain and project development delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit risk and inflation. In addition, the current COVID-19 pandemic, and any future emergence and spread of similar pathogens could have an adverse impact on global economic conditions which may adversely impact the Company's operations, and the operations of suppliers, contractors and service providers, including smelter and refining service providers, and the demand for the Company's production.

The Company may experience business interruptions, including suspended (whether government mandated or otherwise) or reduced operations relating to COVID-19 and other such events outside of the Company's control, which could have a material adverse impact on its business, operations and operating results, financial condition and liquidity.

As at the date of this MD&A, the duration of the business disruptions internationally and related financial impact of COVID-19 cannot be reasonably estimated. It is unknown whether and how the Company may be affected if the pandemic persists for an extended period of time. In particular, the region in which we operate may not have sufficient public infrastructure to adequately respond or efficiently and quickly recover from such event, which could have a materially adverse effect on the Company's operations. The Company's exposure to such public health crises also includes risks to employee health and safety. Should an employee, contractor, community member or

visitor become infected with a serious illness that has the potential to spread rapidly, this could place the Company's workforce at risk.

**Commitments**

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

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

	September 30, 2020	December 31, 2019
Not later than one year	\$ 7	\$ 1,269
Later than one year and not later than five years	16	20
Later than five years	3	5
	<b>\$ 26</b>	<b>\$ 1,294</b>

Included in the above amount as at September 30, 2020, is the Company's commitment to incur flow-through eligible expenditures of \$Nil (December 31, 2019 - \$1,262 (C\$1,639)) that must be incurred in Canada.

**Outstanding Share Data**

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

As at November 9, 2020, the following common shares, warrants, and stock options were outstanding:

	Number of shares	Exercise price	Remaining life (years)
Share capital	89,568,682	-	-
Warrants (US\$)	2,980,774	\$0.80	2.88
RSUs	2,874,000	-	0.80 – 2.73
Stock options	3,612,000	C\$0.79 - C\$2.95	0.81 – 4.74
Fully diluted	99,035,456		

The following are details of outstanding stock options as at September 30, 2020 and November 9, 2020:

Expiry Date	Exercise Price Per Share	Number of Shares Remaining Subject to Options (September 30, 2020)	Number of Shares Remaining Subject to Options (November 8, 2020)
September 2, 2021	C\$2.95	370,000	370,000
September 20, 2022	C\$1.98	930,000	930,000
August 28, 2023	C\$1.30	325,000	325,000
August 21, 2024	C\$0.79	287,000	287,000
August 4, 2025	C\$1.64	1,700,000	1,700,000
<b>Total:</b>		<b>3,612,000</b>	<b>3,612,000</b>

The following are details of outstanding warrants as at September 30, 2020 and November 9, 2020:

Expiry Date	Exercise Price Per Share	Number of Underlying Shares (September 30, 2020)	Number of Underlying Shares (November 8, 2020)
September 25, 2023	\$0.80	2,980,774	2,980,774
<b>Total:</b>		<b>2,980,774</b>	<b>2,980,774</b>

The following are details of outstanding RSUs as at September 30, 2020 and November 8, 2020:

Expiry Date	Number of Shares Remaining Subject to RSUs (September 30, 2020)	Number of Shares Remaining Subject to RSUs (November 8, 2020)
August 28, 2021	288,000	288,000
August 21, 2022	1,105,000	1,105,000
August 4, 2023	1,481,000	1,481,000
<b>Total:</b>	<b>2,874,000</b>	<b>2,874,000</b>

### **Subsequent Events**

#### **Mining Operations**

Subsequent to September 30, 2020, the Company reported that an agreement has been reached with members from the Mexican mining union who had previously blocked the entrance to the Avino Mine. As a result, the Company has commenced plans to restart mining and mill processing operations.

### **Disclosure Controls and Procedures**

Management has designed and evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures on financial reporting (as defined in NI 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings) and has concluded that, based on its evaluation, they are effective as of September 30, 2020, to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.

### **Internal Controls over Financial Reporting ("ICFR")**

The management of the Company is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls over financial reporting is a process to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with IFRS. Internal controls over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect the Company's transactions and dispositions of the assets of the Company; providing reasonable assurance that transactions are recorded as necessary for preparation of the Company's consolidated financial statements in accordance with IFRS; providing reasonable assurance that receipts and expenditures are made in accordance with authorizations of management and the directors of the Company; and providing reasonable assurance that unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements would be prevented or detected on a timely basis. Our management and the Board of Directors do not expect that our disclosure controls and procedures or internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable (not absolute) assurance that the control system's objectives will be met. Further, the design, maintenance and testing of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs.



Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control gaps and instances of fraud have been detected. These inherent limitations include the reality that judgment in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design, maintenance and testing of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any control system may not succeed in achieving its stated goals under all potential future conditions.

Management conducted an evaluation of the effectiveness of the Company's internal controls over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013) ('COSO'). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation.

Based on this evaluation, management concluded that as of September 30, 2020, the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

#### **Cautionary Statement**

This MD&A is based on a review of the Company's operations, financial position and plans for the future based on facts and circumstances as of November 9, 2020. Except for historical information or statements of fact relating to the Company, this document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. Forward-looking statements in this document include, but are not limited to, those regarding the economic outlook for the mining industry, expectations regarding metals prices, expectations regarding production output, production costs, cash costs and other operating results, expectations regarding growth prospects and the outlook for the Company's operations, and statements regarding the Company's liquidity, capital resources, and capital expenditures. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change, except as required by applicable securities regulations. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.