AVINO SILVER & GOLD MINES LTD.

Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2013 and 2012

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed consolidated interim financial statements of Avino Silver & Gold Mines Ltd. (the "Company") are the responsibility of the Company's management. The condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* under 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 condensed consolidated interim financial statements prior to their submission to the Board of Directors for approval.

The condensed consolidated interim financial statements as at June 30, 2013 and 2012 and for the periods ended have not been audited by the Company's independent auditors.

"David Wolfin"

David Wolfin
President & CEO
August 29, 2013

"Malcolm Davidson"

Malcolm Davidson
Chief Financial Officer
August 29, 2013

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

	Note	June 30, 2013 (unaudited)	December 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents		$ 4,342,442	$ 4,035,985
Interest receivable		3,343	1,070
Sales taxes recoverable	**4**	183,165	196,178
Amounts receivable		1,687,051	254,695
Prepaid expenses and other assets		168,908	126,285
Inventory	**5**	1,062,255	2,225,840
		7,447,164	6,840,053
Exploration and Evaluation Assets	**6**	13,756,079	12,828,202
Plant, Equipment and Mining Properties	**9**	8,584,788	6,308,480
Investment in Related Companies	**10**	87,634	194,373
Investment in Other Companies	**11**	47,000	15,000
Reclamation Bonds		5,500	5,500
		$ 29,928,165	$ 26,191,608
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,111,860	$ 1,145,747
Amounts due to related parties	**16**	75,931	174,714
Current portion of finance lease obligations	**17**	509,698	156,220
		1,697,489	1,476,681
Finance Lease Obligations	**17**	865,939	78,732
Reclamation Provision	**12**	323,140	323,140
Deferred Tax Liability		2,450,677	2,365,677
Total liabilities		5,337,245	4,244,230
EQUITY			
Share Capital	**13**	42,659,123	42,088,103
Equity Reserves		9,852,988	9,749,674
Treasury Shares (14,180 Shares, at cost)		(101,869)	(101,869)
Accumulated Other Comprehensive Income (Loss)		34,966	(330,211)
Accumulated Deficit		(27,854,288)	(29,458,319)
Total equity		24,590,920	21,947,378
		$ 29,928,165	$ 26,191,608

Approved by the Board of Directors on August 29, 2013:

/s/ Gary Robertson Director * /s/ David Wolfin* Director

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

AVINO SILVER & GOLD MINES LTD.
For the three and six months ended June 30, 2013 and 2012
Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)
(Expressed in Canadian dollars) (unaudited)

	Note	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Revenue from Mining Operations	**15**	$ 4,951,952	$ -	$ 8,441,956	$ -
Cost of Sales	**15**	2,613,553	-	5,062,710	-
Mine Operating Income		2,338,399	-	3,379,246	-
General and Administrative Expenses					
Depreciation		172	214	344	429
Directors fees		20,000	3,000	115,000	8,250
Consulting fees		9,180	7,500	35,430	15,000
General exploration		-	6,145	-	17,965
Investor relations		37,419	55,080	117,850	152,489
Management fees		37,500	37,500	262,500	75,000
Office and miscellaneous		137,509	110,877	262,974	137,796
Professional fees		158,720	19,389	168,658	37,015
Regulatory and compliance fees		25,517	21,738	52,610	44,378
Salaries and benefits		283,447	58,365	504,565	118,299
Share-based payments	**14**	217,422	4,704	499,335	16,297
Travel and promotion		30,320	56,045	89,844	121,572
		957,206	380,557	2,109,110	744,490
Income (Loss) before other items		1,381,193	(380,557)	1,270,136	(744,490)
Other Items					
Foreign exchange gain		150,528	36,424	380,173	177,448
Interest income		23,267	10,545	34,479	23,533
Other income		8,456	478	10,231	4,311
Mineral property option income	**7**	39,500	-	39,500	34,857
Unrealized loss on investments in related companies	**10**	(63,143)	(62,446)	(106,739)	(103,182)
Unrealized loss on investments	**11**	(7,500)	-	(7,500)	-
Net Income (Loss) before income tax		$ 1,532,301	(395,556)	$ 1,620,280	(607,523)
Deferred income tax expense		(85,000)	-	(85,000)	-
Net Income (loss)		1,447,301	(395,556)	1,535,280	(607,523)
Other Comprehensive Income (Loss) - Items that may be reclassified subsequently to income or loss					
Foreign currency translation differences for foreign operations		432,988	(76,620)	365,177	6,069
Comprehensive Income (Loss)		$1,880,289	$ (472,176)	$ 1,900,457	$ (601,454)
Earnings (Loss) per Share					
Basic		$ 0.05	$ (0.01)	$ 0.06	$ (0.02)
Diluted		$ 0.05	$ (0.01)	$ 0.06	$ (0.02)
Weighted Average Number of Shares Outstanding					
Basic		27,433,934	27,076,053	27,352,465	27,024,680
Diluted		27,654,305	27,076,053	27,391,572	27,024,680

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

AVINO SILVER & GOLD MINES LTD.
Condensed Consolidated Interim Statements of Changes in Equity
For the six months ended June 30, 2013 and 2012
(Expressed in Canadian dollars) (unaudited)

	Note	Number of Common Shares	Share Capital Amount	Equity Reserves	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity
Balance, December 31, 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:								
Shares issued from exercise of stock options		36,000	46,760	(16,460)	-	-	-	30,300
Share-based payments	**14**	-	-	16,297	-	-	-	16,297
Shares issued for leased claim payment	**6(a)(iv)**	135,189	250,100	-	-	-		250,100
Net loss for the period		-	-	-	-	-	(607,523)	(607,523)
Cumulative translation adjustments		-	-	-	-	6,069	-	6,069
Balance, June 30, 2012		**27,081,416**	**$ 42,016,943**	**$ 9,898,023**	**$ (101,869)**	**$ (256,331)**	**$ (28,927,264)**	**$ 22,629,502**
Balance, December 31, 2012		**27,127,416**	**$ 42,088,103**	**$ 9,749,674**	**$ (101,869)**	**$ (330,211)**	**$ (29,458,319)**	**$ 21,947,378**
Shares issued from exercise of stock options	**13**	306,518	571,020	(327,270)	-	-	-	243,750
Share-based payments	**14**	-	-	499,335	-	-	-	499,335
Options and warrants cancelled or expired		-	-	(68,751)	-	-	68,751	-
Net loss for the period		-	-	-	-	-	1,535,280	1,535,280
Cumulative translation adjustments		-	-	-	-	365,177	-	365,177
Balance, June 30, 2013		**27,433,934**	**$ 42,659,123**	**$ 9,852,988**	**$ (101,869)**	**$ 34,966**	**$ (27,854,288)**	**$ 24,590,920**

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

(Expressed in Canadian dollars) (unaudited)

		Six Months Ended	
	Note	June 30, 2013	June 30, 2012
Cash Provided By (Used In):			
Operating Activities			
Net income (loss)		$ 1,535,280	$ (607,523)
Adjustments for non-cash items:			
Depreciation, depletion, and accretion		582,347	429
Share-based payments		499,335	16,297
Unrealized loss on investments		114,239	103,182
Mineral property option revenue		(39,500)	(15,000)
Deferred income tax expense		85,000	-
		2,776,701	(502,615)
Net change in non-cash working capital	**18**	(433,324)	768,120
		2,343,377	265,505
Financing Activities			
Shares issued for cash, net of issuance costs		243,750	30,300
Finance lease obligations		1,193,153	-
Finance lease payments		(52,468)	-
		1,384,435	30,300
Investing Activities			
Exploration and evaluation expenditures		(836,221)	(752,056)
Additions to plant, equipment and mining properties		(2,549,382)	(533,596)
		(3,385,603)	(1,285,652)
Change in cash and cash equivalents		342,209	(989,847)
Effect of exchange rate changes on cash and cash equivalents		(35,752)	(7,504)
Cash and Cash Equivalents, Beginning		4,035,985	5,282,464
Cash and Cash Equivalents, Ending		$ 4,342,442	$ 4,285,113

Supplementary cash flow information (Note 18)

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

1. NATURE OF OPERATIONS

Avino Silver & Gold Mines Ltd. (the "Company" or "Avino") was incorporated in 1968 under the laws of the Province of British Columbia, Canada. The Company is engaged in the production and sale of silver and gold, and the 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

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company, except for the accounting policies which have changed as a result of the adoption of new and revised standards and interpretations which are effective January 1, 2013. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company's December 31, 2012 annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2013 had no significant impact on the Company's consolidated interim financial statements for the current or prior periods presented.

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or 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 by Venturers.

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.

2. BASIS OF PRESENTATION (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 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 1 *Presentation of Financial Statements (Amendment)*
The amendments to IAS 1 requires the grouping of items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. The consolidated statement of comprehensive income in these condensed consolidated interim financial statements has been amended to reflect the presentation requirements under the amended IAS 1.

IFRIC 20 *Production Stripping Costs* - IFRIC 20 Stripping Costs requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable that 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.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 19 Post-Employment Benefits, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

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 condensed consolidated interim financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim 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 goods which 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 condensed consolidated interim 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 are any indications that the Company's plant and equipment, mining properties and exploration and evaluation assets are impaired. External sources of information management considers include changes in the market, economic and legal 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 the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets/liabilities.

(Expressed in Canadian dollars) (unaudited)

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation

The condensed consolidated interim 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")	98.39% direct 1.27% indirect (Promotora) 99.66% effective	Mexico	Mining and Exploration

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

On June 4, 2013, the Company converted existing loans advanced to its subsidiary Compania Minera Mexicana de Avino, S.A. de C.V. ("Avino Mexico") into new additional shares, resulting in the Company's ownership increasing by 0.38% to an effective 99.66%. The inter-company loans and investments are eliminated upon consolidation of the financial statements. The Company had a pre-existing effective ownership interest of 99.28% in Cia Minera prior to the 0.38% increase. The issuance of shares to the Company by Cia Minera on June 4, 2013 resulted in a reduction in the non-controlling interest from 0.72% to 0.34%.

3. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

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

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 this standard will have a significant effect on the condensed consolidated interim financial statements of the Company other than additional disclosures.

(Expressed in Canadian dollars) (unaudited)

4. 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.

		June 30, 2013		December 31, 2012
VAT recoverable	$	166,673	$	167,340
GST/HST recoverable		16,492		28,838
Sales taxes recoverable	$	183,165	$	196,178

5. INVENTORY

		June 30, 2013		December 31, 2012
Concentrate inventory	$	116,146	$	631,859
Ore stock piles		592,027		1,384,973
Materials and supplies		354,082		209,008
	$	1,062,255	$	2,225,840

The amount of inventory recognized as an expense for the periods ended June 30, 2013 includes production costs and depreciation and depletion directly attributable to the inventory production process.

(Expressed in Canadian dollars) (unaudited)

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, 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 and related services	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
Costs incurred during 2013:				
Assays	105	-	-	105
Assessment and taxes	181,485	-	-	181,485
Drilling and exploration	351,886	-	-	351,886
Geological and related services	302,745	-	-	302,745
Effect of movement in exchange rates	91,656	-	-	91,656
Balance, June 30, 2013	$ 13,756,075	$ 3	$ 1	$ 13,756,079

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, 2012 and on that date accumulated exploration and evaluation costs for the San Gonzalo mine were transferred to mining properties (see Note 9).

6. EXPLORATION AND EVALUATION ASSETS (continued)

(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.

(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.

(Expressed in Canadian dollars) (unaudited)

6. EXPLORATION AND EVALUATION ASSETS (continued)

(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 the period ended June 30, 2013, $39,500 was recognized as mineral property option income for these two option agreements (2012 - $34,857).

(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 (received)		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) (unaudited)

7. MINERAL PROPERTY OPTION AGREEMENTS (continued)

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

In April 2013, the Company assigned the option agreement to Benz Capital Corp (“Benz”), a Canadian Public Company, pursuant to the term of an option purchase and assignment agreement dated November 30, 2012. Pursuant to the agreement, Benz has acquired all of Avaron’s interest in an option agreement between Avaron and Avino. As consideration for Avino’s consent to the agreement, Benz and Avaron have issued to Avino 50,000 common shares with a fair value of $14,500 (Note 11) and 250,000 common shares with a fair value of $25,000 respectively. The terms of the agreement allow Benz to earn a 75% interest by making a total cash payment of $350,000, issuing 500,000 common shares, incurring exploration costs of $100,000 and also drilling 35,000 meters (or incurring exploration costs of up to $7,100,000) as follows:

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

After the initial 75% interest is earned Benz may 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 original agreement with Avaron, 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.

8. NON-CONTROLLING INTEREST

For the periods presented the Company has an effective 99.66% interest in its subsidiary Avino Mexico and the remaining 0.34% 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 condensed consolidated interim financial statements.

(Expressed in Canadian dollars) (unaudited)

9. 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 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
Additions	321,324	5,167	11,293	1,728,078	478,623	4,897	2,549,382
Effect of movement in exchange rates	86,009	478	2,916	99,876	73,018	9,578	271,875
Balance at June 30, 2013	3,087,653	27,032	104,887	3,581,260	2,647,114	345,587	9,793,533
ACCUMULATED DEPLETION AND DEPRECIATION							
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
Additions	251,230	1,500	8,418	206,102	33,508	10,750	511,508
Effect of movement in exchange rates	9,941	81	915	16,881	4,262	1,361	33,441
Balance at June 30, 2013	355,359	9,654	32,966	607,496	154,149	49,121	1,208,745
NET BOOK VALUE							
At June 30, 2013	**2,732,294**	**17,378**	**71,921**	**2,973,764**	**2,492,965**	**296,466**	**8,584,788**
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) (unaudited)

9. 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.

10. INVESTMENTS IN RELATED COMPANIES

Investments in related companies comprise the following:

	Cost	Accumulated Unrealized Gains (Losses)	Fair Value June 30, 2013	Fair Value December 31, 2012
(a) Bralorne Gold Mines Ltd.	$ 205,848	(152,103)	$ 53,745	$ 134,362
(b) Levon Resources Ltd.	665	33,223	33,888	60,010
(c) Oniva International Services Corp.	1	-	1	1
	$ 206,514	(118,880)	$ 87,634	$ 194,373

During the six months ended June 30, 2013, the Company recorded a $106,739 unrealized loss (2012 - $103,182 loss) on investments in related companies, representing the change in fair value during the year.

(a) *Bralorne Gold Mines Ltd. (“Bralorne”)*
The Company’s investment in Bralorne consists of 179,149 common shares with a quoted market value of $53,745 as at June 30, 2013 (2012 - $134,362). Bralorne is a public company with common directors.

(b) *Levon Resources Ltd. (“Levon”)*
The Company’s investment in Levon consists of 13,300 common shares with a quoted market value of $33,888 as at June 30, 2013 (2012 - $60,010). Levon is a public company with common directors.

(c) *Oniva International Services Corp. (“Oniva”)*
The Company owns a 16.67% interest in Oniva, a private company with common management, which provides office and administration services to the Company. The remaining 83.33% is shared equally between five other companies that are related by some common directors and management. See Note 19 for disclosure on the Company’s commitment to Oniva.

(Expressed in Canadian dollars) (unaudited)

11. INVESTMENT IN OTHER COMPANIES

	Cost	Accumulated Unrealized Gains (Losses)	Fair Value June 30, 2013	Fair Value December 31, 2012
(a) Avaron Mining Corp.	$ 40,000	-	$ 40,000	$ 15,000
(b) Benz Capital Corp.	14,500	(7,500)	7,000	-
	$ 54,500	(7,500)	$ 47,000	$ 15,000

(a) Avaron Mining Corp. ("Avaron")
In January 2012, the Company acquired 150,000 common shares of Avaron with an adjusted cost base of $15,000. In April 2013, Avino received an additional 250,000 common shares with an adjusted cost base of $25,000 in accordance with the consent to assign 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.

(b) Benz Capital Corp. ("Benz")
In April 2013, the Company acquired 50,000 common shares of Benz Capital Corp. as part of the option agreement with Benz described in Note 7(b). The value assigned to common shares is based on the fair market value of shares on the date the agreement was entered into.

12. RECLAMATION PROVISION

Management has estimated that the present value of its reclamation provision at June 30, 2013 is $323,140 (December 31, 2012 - $323,140). 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 $389,191 (2012 - $368,709).

13. SHARE CAPITAL

(a) Authorized: Unlimited common shares without par value

(b) Issued during the six months ended June 30, 2013: 306,518 shares were issued on the exercise of stock options.

(c) Warrants: During the six months ended June 30, 2013 there were no warrants issued or exercised.

Details of share purchase warrants outstanding are:

	Underlying Shares	Weighted Average Exercise Price
Balance, December 31, 2011	5,211,000	$2.05
Balance, December 31, 2012	5,211,000	$2.05
Balance, June 30, 2013	5,211,000	$2.05

(Expressed in Canadian dollars) (unaudited)

13. SHARE CAPITAL (continued)

Details of share purchase warrants outstanding as of June 30, 2013 and December 31, 2012 are:

	Exercise Price	Warrants Outstanding and Exercisable	
Expiry Date	per Share	June 30, 2013	December 31, 2012
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, Dec. 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, Dec. 31, 2012	2,480,000	
Stock options outstanding and exercisable, Dec. 31, 2012	2,480,000	$1.81
Granted	250,000	$1.60
Expired or cancelled	(85,000)	$1.68
Exercised	(306,518)	$0.80
Stock options outstanding, June 30, 2013	2,338,482	$1. 08

18,750 stock options remained unvested as at June 30, 2013.

As at June 30, 2013, the weighted average remaining contractual life of stock options outstanding is 2.92 years.

(Expressed in Canadian dollars) (unaudited)

13. SHARE CAPITAL (continued)

(d) Stock options (continued):

Details of stock options outstanding are:

		Stock Options Outstanding	
Expiry Date	Exercise Price	June 30, 2013	December 31, 2012
January 16, 2013	$2.00	-	30,000
February 27, 2013	$1.65	-	10,000
February 27, 2013	$0.75	-	295,000
December 9, 2013	$2.00	10,625	20,000
September 22, 2014	$0.75	10,000	25,000
January 14, 2015	$0.81	60,000	60,000
September 10, 2015	$1.05	282,857	290,000
January 18, 2016	$1.02	955,000	960,000
September 30, 2016	$1.02	770,000	790,000
February 18, 2018	$1.60	250,000	-
		2,338,482	2,480,000

14. SHARE-BASED PAYMENTS

During the six months ended June 30, 2013, the Company granted stock options to employees, directors, and consultants of the Company to purchase up to a total of 250,000 common shares at a weighted average exercise price of $1.60 per share pursuant to the Company's stock option plan. The options vest on dates ranging from the grant date to February 18, 2014. The options are exercisable on or before February 18, 2018. The Company recorded $238,735 as share-based compensation for the options vested during the period.

During the six months ended June 30, 2013, the Company re-priced 1,725,000 previously granted incentive stock options to directors, officers, employees and consultants to a price of $1.02 per share. The incentive stock options had originally been granted at various prices of $2.30 and $2.00 per share. The incremental fair value of the re-priced options of $260,600 was charged to share-based compensation.

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:

	June 30, 2013	June 30, 2012
Weighted average assumptions:		
Risk-free interest rate	1.32%	1.08%
Expected dividend yield	-	-
Expected option life (years)	3.14	0.66
Expected stock price volatility	65.62%	71.47%
Weighted average fair value at grant date	$0.45	$1.65

(Expressed in Canadian dollars) (unaudited)

15. REVENUE AND COST OF SALES

Revenue and the related cost of sales reflect the sale of silver and gold concentrate during the period which was produced at the San Gonzalo and Avino mines during the six months ended June 30, 2013.

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.

		Six months ended June 30, 2013	June 30, 2012
Direct mining cost	$	4,480,707	-
Depreciation, depletion, and accretion		582,003	-
	$	5,062,710	-

16. 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 six months ended June 30, 2013 and 2012 are as follows:

		June 30, 2013		June 30, 2012
Salaries and benefits	$	472,430	$	124,815
Share-based payments		173,250		-
	$	645,680	$	124,815

(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 June 30, 2013 and December 31, 2012 the following amounts are due to related parties:

		June 30, 2013		December 31, 2012
Directors	$	20,000	$	24,469
Oniva International Services Corp.		45,406		147,845
Sampson Engineering Inc.		2,430		2,400
Andrew Kaplan		1,039		-
Jasman Yee & Associates		7,056		-
	$	75,931	$	174,714

(Expressed in Canadian dollars) (unaudited)

16. 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 19. The transactions with Oniva during the year are summarized below:

	June 30, 2013	June 30, 2012
Salaries and benefits	$ 127,489	$ 91,082
Office and miscellaneous	157,191	167,049
	$ 284,680	$ 258,131

17. FINANCE LEASE OBLIGATIONS

The Company has entered into mining equipment leases expiring between 2013 and 2018 with interest rates ranging from 1.75% to 4.95% per annum. The Company has the option to purchase the mining equipment at the end of the lease term for a nominal amount. The Company's 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 $2,016,976 net carrying amount for this leased mining equipment.

	June 30, 2013	December 31, 2012
Not later than one year	$ 541,735	$ 156,478
Later than one year and not later than five years	920,364	78,863
Less: Future finance charges	(86,462)	(389)
Present value of minimum lease payments	1,375,637	234,952
Less: Current portion	(509,698)	(156,220)
Non-current portion	$ 865,939	$ 78,732

18. SUPPLEMENTARY CASH FLOW INFORMATION

	June 30, 2013	June 30, 2012
Net change in non-cash working capital items:		
Interest receivable	$ (2,273)	$ 45,231
Amounts receivable	(1,432,356)	853,472
Sales taxes recoverable	13,013	(89,024)
Prepaid expenses	(42,623)	(35,528)
Inventories	1,163,585	-
Accounts payable and accrued liabilities	(33,887)	(3,045)
Due to related parties	(98,783)	(2,986)
	$ (433,324)	$ 768,120

	2013	2012
Interest paid	$ 1,954	$ -
Taxes paid	$ -	$ -

(Expressed in Canadian dollars) (unaudited)

19. 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.

The agreement may be terminated with one-month notice by either party. Transactions and balances with Oniva are disclosed in Note 16.

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:

	June 30, 2013	December 31, 2012
Not later than one year	$ 124,756	$ 248,512
Later than one year and no later than five years	599,536	597,188
Later than 5 years	79,562	76,506
	$ 803,854	$ 922,206

20. 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 June 30, 2013 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 had cash at June 30, 2013 in the amount of $4,342,442 (December 31, 2012 - $4,035,985) in order to meet short-term business requirements. At June 30, 2013, the Company had current liabilities of $1,697,489 (December 31, 2012 - $1,476,681). Accounts payable have contractual maturities of approximately 30-90 days or are due on demand and are subject to normal trade terms. Amounts due to related parties are without stated terms of interest or repayment.

20. 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 June 30, 2013 and December 31, 2012.

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:

	June 30, 2013		December 31, 2012	
	MXN	USD	MXN	USD
Cash and cash equivalents	$ (713)	$ 2,790,990	$ 3,586,471	$ 1,312,607
Sales taxes recoverable	3,367,648	-	2,180,706	-
Amounts receivable	2,871,124	1,383,920	3,096,083	210,076
Accounts payable and accrued liabilities	(12,545,722)	(486,965)	(2,775,290)	(408,437)
Finance lease obligations	-	(1,308,635)	-	(236,157)
Net exposure	(6,307,663)	2,379,310	6,087,970	878,089
Canadian dollar equivalent	$ (510,292)	$ 2,501,131	$ 467,178	$ 873,611

(Expressed in Canadian dollars) (unaudited)

20. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

Foreign Currency Risk (continued)

Based on the net Canadian dollar denominated asset and liability exposures as at June 30, 2013, a 10% fluctuation in the Canadian/Mexican and Canadian/US exchange rates will impact the Company's earnings by approximately $94,408 (2012 - $134,078).

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 June 30, 2013:

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 4,342,442	-	-
Investments in related parties	87,634	-	-
Other investments	47,000		
	$ 4,477,076	-	-

21. 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.