

# 2020 ANNUAL REVIEW



**AVINO**  
SILVER & GOLD MINES LTD.

# RESILIENCE . INITIATIVE . ENTERPRISE



## Since 1968. A Proven Model for Growth

Avino is primarily a silver producer with a diversified pipeline of silver, gold, and base metal properties in Mexico. Avino produces from its wholly owned Avino Mine near Durango, Mexico. The Company's silver and gold production remains unhedged.

The Company's mission and strategy is to create shareholder value through its focus on profitable organic growth at the historic Avino Property and the strategic acquisition of mineral exploration and mining properties.

We are committed to managing all business activities in a safe, environmentally responsible and cost-effective manner, while contributing to the well-being of the communities in which we operate.



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# MESSAGE FROM THE CEO

*2020 was a challenging year, and although we are relieved to put it behind us, the year will be marked as one of learning, patience, and with a significant focus on the health and safety of the entire company spanning Mexico, Canada, and the US.*

*The pandemic presented new challenges for our entire team and I am proud of the way we were united by our shared culture of discipline, flexibility and teamwork that truly made us stronger as a company.*



David Wolfin,  
President and CEO

Dear Shareholders:

2020 was a challenging year, and although we are relieved to put it behind us, the year will be marked as one of learning, patience, and with a significant focus on the health and safety of the entire company spanning Mexico, Canada, and the US.

The pandemic presented new challenges for our entire team and I am proud of the way we were united by our shared culture of discipline, flexibility and teamwork that truly made us stronger as a Company.

In April, we followed the orders given by the Mexican Government to temporarily suspend operations due to the pandemic. Our priority was to ensure the safety of our communities, which included all of our employees. Rigorous health and safety procedures were implemented. The Avino Mine transitioned to care and maintenance utilizing a reduced workforce to protect mining operations, employees and the local communities.

In May, we received authorization to resume mining activities in an orderly, gradual and cautious manner, and subsequently on June 1, the Company started a phased ramp up of operations.

In July, members from the Mexican mining union blocked the entrance to the Avino Mine near Durango, Mexico. The Company negotiated in good faith, and in October, the Company and the Mexican Mining Union reached an agreement and the strike at the mine ended.

Production for the year was significantly impacted by the temporary closure of the mine due to the pandemic and the strike at the mine. Silver equivalent production for the year was 0.8 million ounces, down 65% from 2019.

In August, Avino granted Silver Wolf Exploration (formerly Gray Rock Resources) the exclusive right to acquire a 100% interest in the Ana Maria and El Laberinto properties in Mexico. Avino will have the right of first refusal to purchase and process any ore or concentrate extracted from the properties for processing.

During the remainder of the 2020, we were focused on preparing the mine for start-up of operations, as well as planning an exploration program to commence during the first quarter of 2021 at the Avino property.

The restarting of operations, once the labor agreement is in place, is expected to provide significant direct economic benefits and stimulus for the local communities, so we are very much looking forward to that.

Over the next years, one of Avino's objectives will be to adopt an inclusive ESG strategy and embrace a stronger social responsibility. We will endeavor to set environmental and social performance objectives that are relevant and that will result in tangible actions. Our goal is to respect our investors' objectives and provide even greater attention to our communities and their needs.

I believe the outlook for silver remains very positive and our favourite metal will be a strong performer over the medium to long-term, and from that performance, Avino will benefit.

Avino's longevity demonstrates a commitment to maintaining our mission, vision and values. As we enter our 53rd year, we remain diligent in our efforts across our operations with respect to COVID-19 and are working together to keep our employees and communities healthy. We look forward to a positive and productive 2021 together with the potential of continued strengthening of the market and of commodity prices.

David Wolfin  
President & CEO

# OUR COVID-19 RESPONSE

*This has been a rare and unsettling time, we have provided our assurance that we would comply with health authorities in both Canada and Mexico to ensure the health and safety of our employees and stakeholders.*



“We followed the orders given by the Mexican Government to temporarily suspend operations. Avino understood the seriousness of the COVID-19 pandemic and our first priority was to ensure the safety of our communities, which included all of our employees. We implemented rigorous health and safety procedures in Mexico and at the corporate office in Vancouver.

Above all, the health and wellness of our employees globally was and is our top priority.”

**David Wolfen, President and CEO**

Temperature checks



Mandatory masks on site



Medical support at site



Sanitation check point



Avino remained flexible both financially and operationally to adjust to the changing situation as it was appropriate, and have continued to monitor the situation. As at December 31, 2020, the Company had \$11.7 million in cash, and \$14.7 million in working capital. The Company remained diligent and prepared in the event of an extended closure.

# 2020 MILESTONES

# 2021 KEY OBJECTIVES



- TSF#2 –dry stack tailings project well underway and chosen for its environmental, safety and economic advantages with its high solids content. Improves safety and stability and reduces the need to extract water from local sources by recycling the water removed from tailings
- A successful conclusion to the strike in October
- Avino granted the exclusive rights to Silver Wolf Exploration (formerly Gray Rock Resources) to acquire a 100% interest in the Ana Maria and El Laberinto properties
- In July, the Mexican mining union blocks the entrance to the Avino Mine
- A phased ramp up of operations announced in June
- Operations temporarily suspended in April due to Covid-19
- Q1 silver equivalent production increased by 11% to 683,944 oz
- Record copper quarterly production in Q1 - increased by 70%
- Avino mine produced a record 262,238 silver ounces, the highest quarterly total achieved to date in Q1
- Nathan Harte appointed CFO, after assuming the role of Interim CFO in November 2018
- Peter Latta appointed to VP, Technical Services
- 2021 drill program at the Avino property; which is fully funded, was increased from 12,000 metres to 30,600 metres and will target several areas of the Avino Property including the Avino, Santiago, and the El Trompo Veins
- The drill program will include additional surface drilling of the oxide tailings as recommended in the Preliminary Economic Assessment (PEA) which was completed in 2017
- Focus on preparing the mine for start-up of operations
- Continue progressing with the dry stack tailings project
- Make improvements to circuit 4 that will improve gold and silver recovery through the use of new equipment



# 2020 PRODUCTION HIGHLIGHTS

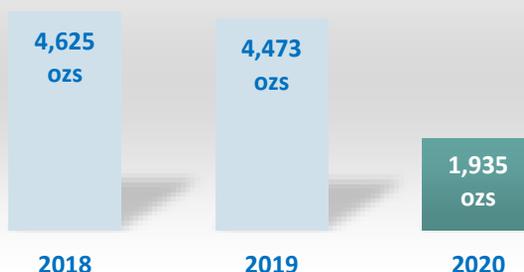


*Production for the year was significantly impacted by the temporary closure of the mine due to the pandemic and the strike at the mine. Silver equivalent production for the year was 0.8 million ounces, down 65% from 2019.*

## Silver Production



## Gold Production



## Copper Production



## Silver Equivalent Production\*



\*For 2020, AgEq was calculated using metal prices of \$20.55 oz Ag, \$1,769 oz Au and \$2.80 lb Cu. In 2019, AgEq was calculated using metal prices of \$16.20 oz Ag, \$1,393 oz Au and \$2.72 lb Cu. In 2018, AgEq was calculated using metals prices of \$15.71 oz Ag, \$1,270 oz Au and \$2.96 lb Cu.

The comparisons above to the years 2018 and 2019 include production numbers from the Avino Mine only.

For full yearly production numbers for the years 2018 and 2019, please see our Financial statements, MD&A, and annual reviews on our website at <https://www.avino.com/investors/financial-statements/>

# 2020 PRODUCTION HIGHLIGHTS (CONTINUED)



Avino Mine Production Highlights	2020	2019	2018
Total Mill Feed (dry tonnes)	199,575	427,147	426,794
Feed Grade Silver (g/t)	54	44	53
Feed Grade Gold (g/t)	0.40	0.45	0.49
Feed Grade Copper (%)	0.58	0.56	0.55
Recovery Silver (%)	90%	85%	84%
Recovery Gold (%)	75%	73%	69%
Recovery Copper (%)	88%	86%	87%

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# MESSAGE FROM THE CFO

*We exited 2020 with strong liquidity, having excess cash over debt obligations of over \$5 million and carrying our lowest debt balance since 2014. We were successful in repaying over \$7 million in debt throughout 2020, and we are well-financed and prepared to take advantage of any opportunities that come our way in 2021.*



Nathan Harte  
Chief Financial Officer

2020 will go down as a one of the most turbulent years in recent history. For us at Avino, 2020 was a year of financial resilience, as we continued to make good on promises to strengthen our financial position.

We exited 2020 with strong liquidity, having excess cash over debt obligations of over \$5 million and carrying our lowest debt balance since 2014. We were successful in repaying over \$7 million in debt throughout 2020, and we are well-financed and prepared to take advantage of any opportunities that come our way in 2021.

While our operations were impact by shutdowns throughout the year, our flexibility and lean corporate structure ensured that administrative costs continued to decrease for the 3rd year in a row, following our 2018 announcement of company-wide cost reduction initiatives, by a further 9%.

Overall, our cash cost per silver equivalent payable ounce remained close to our expectations, at \$10.68, compared to \$12.08 in 2019. As a result of the shutdowns, our all-in sustaining cash cost per silver equivalent payable ounce increased for 2020, up to \$20.35 compared to \$17.19 in 2019. This was a direct result of lower ounces sold than planned during 2020.

With the successful sale of Bralorne at the end of 2019, our continued and renewed focus remains on our Avino operations in Mexico, and more importantly on increasing shareholder value through exploration. Subsequent to the end of the year, we announced plans to double the initial 2021 exploration program and we plan to perform the additional drilling on the oxide tailings, as recommended in the PEA from 2017.

We are also continuing to move forward with fully-funded and exciting projects that will bring Avino to the leading edge in tailings management technology and ensuring that our operations reflect the environmentally sustainable company that we envision Avino being for years to come.

With 2020 being a year of virtual meetings, I am extremely excited to get back to Durango to continue to build on the strong relationships we have forged in the community and to continue building on our cohesive team. Our team in Durango is our backbone, and it is due to their strength and positive attitudes over the last 53 years that Avino has continued to thrive as an integral part of the community.

With continued economic stimulus expected throughout the world, we believe that precious metals valuations will continue to move higher. As the supply for silver and copper continue to decrease, we are excited to be a contributing part of the green economy, as we see the demand for silver and copper increasing in coming years through additional industrial and environmentally sustainable applications.

As we look ahead to 2021, we expect to generate free cash flow at current metal prices and will look to using the generated funds for additional exploration programs to continue in our pursuit of creating shareholder value through organic growth.

Nathan Harte  
Chief Financial Officer

# 2020 FINANCIAL HIGHLIGHTS

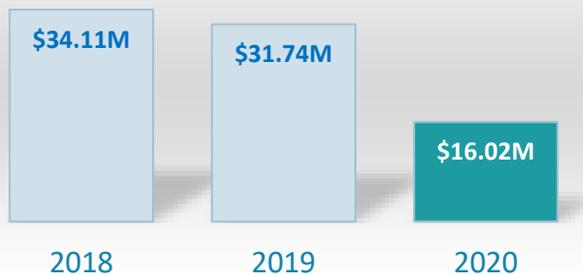
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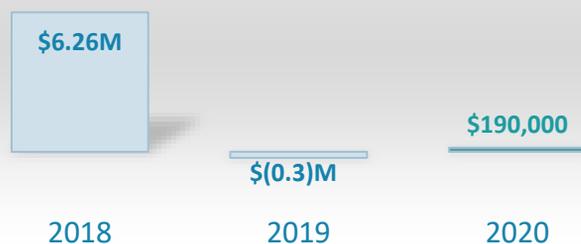
## Key Highlights:

- Debt reduction of over \$7 million
- Working Capital at December 31, 2020 of \$14.7 million
- Cash balance at December 31, 2020 of \$11.7 million
- Excess cash over total liabilities

## Revenues



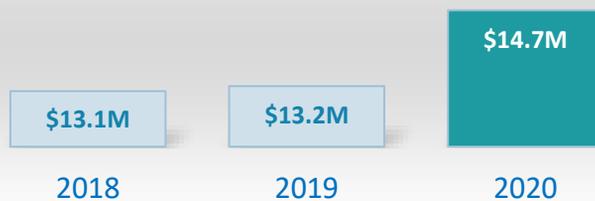
## Mine Operating Income (loss)



## EBITDA<sup>1</sup>



## Working Capital



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.

# 2020 OPERATIONAL HIGHLIGHTS



Production for the year was significantly impacted by the temporary closure of the mine due to the pandemic and the strike at the mine. Silver equivalent production for the year was 0.8 million ounces, down 65% from 2019.

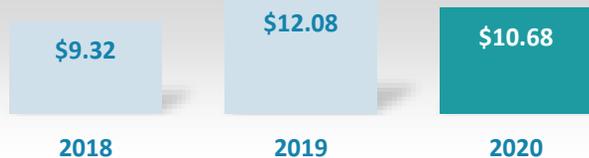
*“Overall, our cash cost per silver equivalent payable ounce remained close to our expectations, at \$10.68, compared to \$12.08 in 2019. As a result of the shutdowns, our all-in sustaining cash cost per silver equivalent payable ounce increased for 2020, up to \$20.35 compared to \$17.19 in 2019. This was a direct result of lower ounces sold than planned during 2020.”*

Nathan Harte, CFO

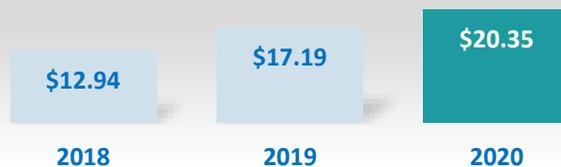
## Silver Equivalent Payable Ounces Sold<sup>2</sup>



## Cash Cost per Silver Equivalent Payable Ounce<sup>1,3</sup>



## All-in Sustaining Cash Cost per Silver Equivalent Payable Ounce<sup>1,2</sup>



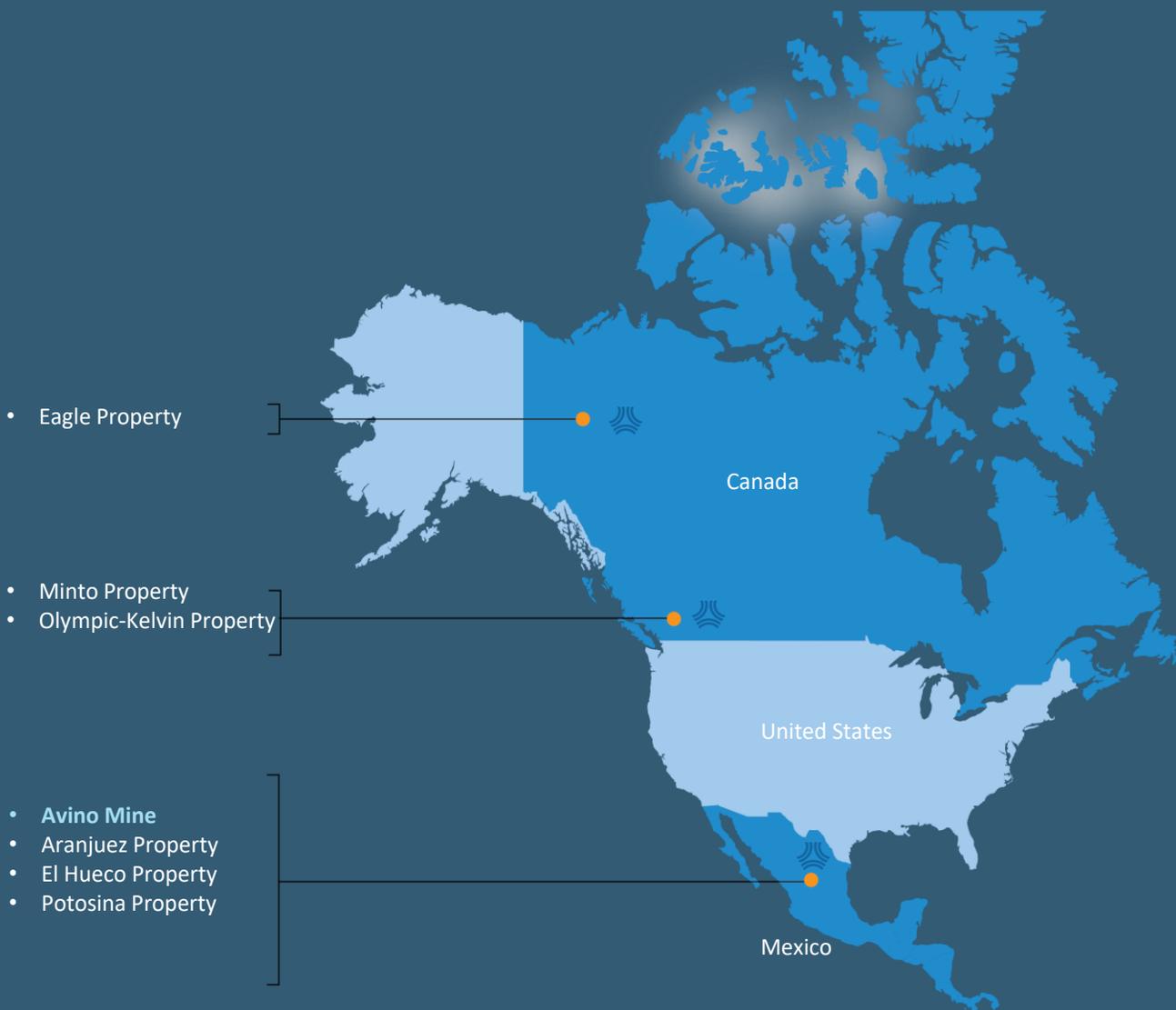
1. For 2020, AgEq was calculated using metal prices of \$20.55 oz Ag, \$1,769 oz Au and \$2.80 lb Cu. In 2019, AgEq was calculated using metal prices of \$16.20 oz Ag, \$1,393 oz Au and \$2.72 lb Cu. In 2018, AgEq was calculated using metals prices of \$15.71 oz Ag, \$1,270 oz Au and \$2.96 lb Cu.

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 ounce, 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.

In 2019, the Company updated the calculation of all-in sustaining cash costs to include penalties, treatment charges and refining charges and the 2018 figures above have also been represented to include these costs. The change is due to the Company no longer selling product from the San Gonzalo Mine, which historically had little to no penalties associated with the saleable concentrate, and the Company is planning to be selling concentrate produced primarily from the Avino Mine for the foreseeable future.

# 2020 OPERATIONS OVERVIEW



# 2020 OPERATIONS OVERVIEW (CONTINUED)

## THE AVINO MINE – OUR SILVER LINING *AN EXCEPTIONAL ASSET; A UNIQUE PROPERTY THAT HOSTS DOZENS OF VEINS THAT HAVE YET TO BE EXPLORED*



The Avino mine is an exceptional asset with 20 named veins and over 50 additional veins which make the property unique and adds to its potential.

Sitting on the edge of a structurally controlled caldera, the property hosts multiple conduits for mineralization. Targets include composite vein sets of different composition as well as bulk veins and narrow veins of gold, silver and copper.

### **One of Mexico's Oldest Silver Mines**

Site of the company's original mining operation beginning in the early 1970s, Avino represents one of Mexico's longest-standing silver mines. Historic production dates to the 1500s, and at one time Avino hosted the world's largest open-cut operation.

### **Mining the Historic Avino Vein**

Avino mined the extensive Avino, or ET (Elena Tolosa) vein, through 27 years of both open pit and underground production. In 2001, the mine shut down due to low silver prices and closure of a key smelter. Following two years of redevelopment and mill expansion, the mine reopened in 2015.

### **Record Copper Production in Q1 2020**

Silver equivalent production in Q1 2020 increased by 11% compared to Q1 2019, with record copper quarterly production of over 1.8 million pounds. The Avino mine produced a record 262,238 silver ounces, the highest quarterly total achieved to date.

### **Temporary Shutdown, Ramp Up and Strike Action**

From early April through to mid-October, the mine shifted from being operational to being shutdown more than once.

The Avino mine was temporarily shut down in April to comply with the Mexican Government's orders to help fight against Covid-19. The mine then transitioned to care and maintenance utilizing a reduced workforce to protect mining operations, employees, and local communities while production operations were temporarily suspended.

In June, the Company received the authorization to ramp up productions from the Mexican Government. With guidelines in place to keep employees safe, safe transportation and onsite monitoring in place, the company began a phased approach to resuming mining operations.

The resumption of mining operations was short lived, and as of mid July, members from the Mexican mining union blocked the entrance to the Avino mine, which was a disappointing turn of events. There were many dedicated workers and considerable support from the community for the Company.

Avino also expressed its support for the communities surrounding the mine site and worked diligently and in good faith to have positive discussions with the authorized union.

Fortunately, there was a successful resolution to the strike in mid-October.

The Company has been working towards commencing mining operations since that time.

The mine will employ many workers who live in the nearby towns. Our entire workforce at the Avino Mine is Mexican.

# 2020 OPERATIONS OVERVIEW (CONTINUED)

## ANA MARIA AND EL LABERINTO PROPERTIES

### OPTIONED TO SILVER WOLF EXPLORATION (FORMERLY GRAY ROCK RESOURCES)

In August, 2020, Avino optioned the Ana Maria and El Laberinto properties to Silver Wolf Exploration (formerly Gray Rock Resources). Silverwolf was granted the exclusive right to acquire a 100% interest in these two properties. The full details of the option agreement can be found in the Avino news release dated August 13<sup>th</sup> on the Avino website at: [Avino Grants Mexican Property Option Agreement to Gray Rock Resources = August 13, 2020](#)

SILVER & GOLD MINES LTD.

### Ana Maria Property

The Ana Maria property is located 21 kilometres (km) northwest of the City of Gómez Palacio and the adjacent City of Torreón, and 1 km north of the town of Dinamita, in the municipality of Gómez Palacio, Durango, Mexico. The claims are located in the Minitas mining district in the Guadalupe Victoria mining region. The property consists of 9 mining concessions encompassing 2,549 hectares (ha).

The region hosts a number of carbonate replacement deposits (CRD's) within Cretaceous limestones and dolomites. Mineralization is associated with large stocks, dykes or sills of granitoids ranging from diorites to quartz monzonites and rhyolites and inferred to be lower crustal in origin. Mineralization is present as skarns or massive sulphides and occurred during Mid-Tertiary volcanism when the aforementioned intrusions were emplaced (Megaw et al., 1988 and references therein). The deposits typically produce silver, lead, zinc and copper although some districts, such as Ojuela (~10 kilometres from Ana Maria and La Zorra), are enriched in gold relative to typical CRD's.

Potential exists on the property for CRD type silver-lead-zinc and possibly carbonate hosted iron-zinc-lead-(silver) oxide mineralization, and gold-silver veins in the intrusion, as well as iron, manganese and granite.

Avino has the right of first refusal to purchase and process any ore or concentrate extracted from the properties for processing under identical terms as the third party offer at Avino's mine facilities.

### El Laberinto Project

The El Laberinto Project is located in the "Sierra de la Silla" northwest of the town of Francisco I. Madero in the municipality of Panuco de Coronado. It is approximately 60 kilometres northeast of the city of Durango City, México. The property consists of mining concession encompassing 91.7 ha.

El Laberinto is situated within the Tepehuano terrane, as are Ana Maria, La Recompensa, and the El Soldado projects, but in close proximity to the contact with the Tahue terrane, W of the Sierra Madre Oriental. The carbonates that host the CRD projects are absent; no Mesozoic rocks survived erosional processes in the region. Instead of the thrust belts of the Sierra Madre Oriental, the region is controlled by a series of North West-South East (NW-SE) to North North West-South South East (NNW-SSE) striking faults that create a horst-and-graben topography.



# CORPORATE INFORMATION



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Peter Bojtos  
Ronald Andrews

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**Carlos Rodriguez,**  
Chief Operating Officer

**Nathan Harte, CPA,**  
Chief Financial Officer

**Dorothy Chin,**  
Corporate Secretary

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## SHARES TRADED

NYSE AMERICAN: Symbol **ASM**  
TSX: Symbol **ASM**  
FSE: Symbol **GV6**

